

# CURRENT HISTORY

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SEPTEMBER, 1988

## The People's Republic of China, 1988

Sino-American Relations — <i>John Bryan Starr</i>	241
Sino-Soviet Détente and Chinese Foreign Policy — <i>James C. Hsiung</i>	245
Politics and Political Reform in China — <i>David Bachman</i>	249
China's Economy: New Strategies and Dilemmas — <i>Chu-yuan Cheng</i>	253
Chinese Foreign Trade in the 1980's — <i>John Frankenstein</i>	257
Dissent and Tolerance in Chinese Society — <i>Stanley Rosen</i>	261
China's Changing Criminal Justice System — <i>Hungdah Chiu</i>	265

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Book Reviews — <i>On China</i>	269
Four Months in Review — <i>Country by Country, Day by Day</i>	282
Map — <i>China</i> — Inside Back Cover	



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# Current History

SEPTEMBER, 1988

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*Our September, 1988, issue discusses the latest developments in the People's Republic of China, including the political ramifications of the 13th Chinese Communist party congress, changes in Chinese economic policy and the growth in importance of social issues in China. As our introductory article points out, "China's [foreign policy] goal over the last seven years has been to establish a position of equidistance from . . . the other major players in the Pacific . . . — the United States, the Soviet Union and Japan . . . [and] China has been fairly successful in attaining this goal."*

## Sino-American Relations

BY JOHN BRYAN STARR

*Executive Director, Yale-China Association*

SINCE 1981, the government of the People's Republic of China (PRC) has attempted to pursue what it often refers to as an "independent" foreign policy. China describes this policy as one under which the PRC's position concerning any international issue will be determined on the basis of China's national interests. It contrasts this policy with the policies of the past in which China's foreign policy was linked to that of other nations—either by choice, as was the case with the Soviet Union in the 1950's, or by necessity, as was the case with Japan and the West during much of the preceding century.<sup>1</sup> In implementing this policy seven years ago, the Chinese government sought particularly to dispel the perception that its policies in the preceding five years had become too closely linked with those of the United States.

Despite its emphasis on independence, however, China's foreign policy and United States policy under President Ronald Reagan have for the most part proved to be complementary. Indeed, writing in these pages two years ago, this author noted that China and the United States were pursuing parallel policies with regard to most areas of international politics.<sup>2</sup> In general, this phrase continues to describe Sino-American relations in 1988.

Yet, over the course of the last year, several

events have served to underscore the fact that, while Chinese and American foreign policies are usually parallel, they are by no means identical. While both sides continue to have a strong interest in maintaining close and cordial relations, each side has its own motivations for this interest. Moreover, Chinese and American interests in other parts of the world are not the same, and Beijing is unwilling to subordinate its interests just in order to maintain close ties with Washington. During the last two years, in the areas of cultural exchanges, economic relations and politics, issues have arisen that illustrate the strain in Sino-American relations as well as the underlying strength of these ties.

Differences have arisen most recently in the area of cultural exchanges. These differences give evidence of a lingering ambiguity on the part of the Chinese leadership with regard to its "open policy" of interaction with the West and, more specifically, its now nearly decade-long relationship with the United States. Cultural ties between the two nations have continued to grow very rapidly in recent years. There are currently about 20,000 Chinese students and scholars in the United States, of whom somewhat fewer than half are supported by their government. The majority are enrolled in graduate programs, particularly in the natural and hard sciences. Most of the rest are "visiting scholars"—academics who are carrying out programs of study and research but who are not candidates for American academic degrees. There are only a handful of Chinese students enrolled in undergraduate programs in this country.

<sup>1</sup>Newly appointed Foreign Minister Qian Qichen spoke on these matters before the Council on Foreign Relations in New York on May 31, 1988. The text of his remarks was published in *Beijing Review*, June 6–June 12, 1988, pp. 18f.

<sup>2</sup>John Bryan Starr, "Sino-American Relations: Policies in Tandem," *Current History*, September, 1986, p. 241.

A recently enacted regulation of the PRC's State Education Commission threatens to cut drastically the number of Chinese studying in the United States. It proposes to reduce the percentage of those studying in the United States from 60 percent of the total number of scholars studying abroad to 20 percent.<sup>3</sup> In addition, the period of time a scholar can stay abroad will be restricted. The regulation is said to apply to those whose financial support comes from the Chinese government, to those enrolled in degree programs, and to those pursuing the study of a scientific discipline.

There seems to be a dual motivation behind the new regulation. The official rationale speaks of the need to stem a "brain drain" from China and argues that United States immigration laws and practices make it easier for Chinese scholars to extend their stay in the United States than in other countries. The regulations presuppose that the more than 6,000 government-sponsored students who would be precluded from coming to the United States will be able to find positions in universities, laboratories and institutes in other English-speaking countries where the enforcement of immigration laws is judged by the Chinese to be more stringent.

For the Chinese government to conclude that the brain drain is a serious problem at this point is, in this author's view, somewhat premature. While statistics were cited in the Western press to suggest that a very high proportion of Chinese scholars plan to remain in the United States, these statistics are misleading.<sup>4</sup> Since the number of Chinese scholars arriving in the United States has increased sharply in the last two or three years, the vast majority of those currently studying in American institutions have not yet completed their programs of graduate study and thus should not be expected to have returned to China.

On the other hand, powerful motivations may, indeed, lead many Chinese scholars to decide to remain abroad. Most important is the precarious position accorded to intellectuals in China over the last century—particularly those intellectuals trained

abroad. Despite all the rhetoric promoting the role of intellectuals in achieving China's current development goals, many believe that this situation could change rapidly and without warning. Second, the facilities for carrying out research in China, in contrast to those available to Chinese scholars working in American, European or Japanese laboratories are still primitive. An argument can be made that a Chinese scholar working in a foreign laboratory could accomplish more scientific work—thereby making a greater, even though indirect, contribution to China's development—than he or she could accomplish by returning to China.

A third factor leading some Chinese scholars to consider remaining abroad is the mounting evidence of the failure to integrate scholars into the Chinese academic or industrial structure following their return from study abroad. Jealous colleagues and backward management frequently result in the waste of the returning scholar's newly acquired knowledge and skills.<sup>5</sup> Fourth, there is greater academic freedom available to scholars in the West, though this issue applies more to those in the humanities and the social sciences than it does to those in the natural and hard sciences, and these constitute a small minority of those now studying abroad.

Finally—and this may be the least significant of the motivating factors—the standard of living of academics in the United States is substantially higher than that of academics in China. As with all Chinese working in government positions, professors' and scholars' salaries are fixed at a low level and are unlikely to increase rapidly in the immediate future. Urban inflation means that the real income of urban residents on state salaries is actually declining. The returning scholar will inevitably experience a significant decline in the standard of living. These are the questions that the State Education Commission has acknowledged and that it must deal with if it intends effectively to address the problem of the potential loss to China of some of the nation's finest minds.<sup>6</sup>

Beyond the official explanation for the new regulations, which focuses on the actual or potential problems of a brain drain, there appears to be a second reason for the document. Chinese officials have remarked that it is inappropriate that a large proportion of China's academic community be intellectually oriented toward a single foreign country. Beneath this hint lurks the remnant of the argument advanced in the fall and winter of 1983–1984 during the campaign to eradicate "spiritual pollution." To some more conservative Chinese, the morals and values to which Chinese scholars are exposed while studying in the United States may negate the value of the scholars' academic achievements. These returning scholars are seen as likely to be advocates

<sup>3</sup>The regulation was discussed by Fox Butterfield in an article entitled, "China Plans to Let Fewer Students Go Abroad, Especially to the U.S.," *The New York Times*, March 24, 1988.

<sup>4</sup>*Ibid.*

<sup>5</sup>An article by Edward A. Gargan, "For Chinese, A Mismatch of Job Skills," appeared in *The New York Times*, December 27, 1987, p. 1. It described difficulties encountered by graduates of the program in business administration jointly sponsored by the United States and Chinese governments and located in the city of Dalian. A response to Gargan's article from M.W. Searls Jr., Deputy Assistant Secretary for East Asia and the Pacific in the Department of Commerce, appeared in *The New York Times*, January 12, 1988.

<sup>6</sup>For the views of one Chinese scholar in the United States on the question of the potential brain drain see "China's Phantom Brain Drain," *The New York Times*, May 5, 1988.



of "total Westernization," the bane of the conservatives' existence.

This conservative reaction was borne out in the trial and conviction of Yang Wei, a returned scholar who was sentenced by a Shanghai court in December, 1987 to two years in prison for "counter-revolutionary activities." He was accused of publishing articles in a dissident Chinese magazine in the United States and of participating in student demonstrations after his return to China in December, 1986. His arrest was protested in a joint resolution of the United States Congress in October, 1987, and by an open letter signed by 150 Chinese students and scholars in the United States.

There has been no official response to the new regulations by the United States government. The unofficial reaction of Americans in government and the private sector concerned with academic exchanges with China is that, were they too rigidly enforced, the regulations would work to China's disadvantage. Some Chinese officials have suggested privately that the regulations were issued as a concession to the conservatives and are unlikely to be fully implemented. In either case, the regulations represent the ambivalence in the minds of some Chinese, who see relations with the United States as both beneficial and potentially detrimental to China's future development.

## ECONOMIC ISSUES

It is not an exaggeration to say that in China today economics is the motor that drives not only domestic but also foreign policymaking.<sup>7</sup> Under Chairman Mao Zedong's leadership, China's initial opening to the West and particularly to the United States was decided on strategic grounds; after Mao's death it was reaffirmed by Deng Xiaoping primarily on economic grounds. Deng's plan for China's rapid economic development requires the importation of Western capital and Western technology. Thus, to an important extent, China measures the state of its relationship with the United States in economic terms. When trade and investment are increasing the relationship is going well; when their growth is slowed, the relationship is less satisfactory.

Two-way trade between China and the United States reached a level of \$8 billion in 1985. It in-

creased by only about 3 percent in 1986, but grew by nearly 25 percent to a figure of \$10.4 billion in 1987. Both China and the United States are very concerned over the question of trade deficits and, somewhat paradoxically (because the two sides calculate their trade figures differently), each side claims to be experiencing a deficit in its trade with the other. According to Chinese figures, imports from the United States in 1987 totaled some \$4.5 billion, while exports to the United States amounted to only \$3.5 billion. Because United States figures include Chinese goods imported through Hong Kong, they show imports from China in 1987 at \$6.9 billion and exports to China at \$3.5 billion.<sup>8</sup> Based on their own figures, which show their trade with the United States in deficit, the Chinese regard as a high priority task the expansion of United States markets to compensate for the growing level of goods—particularly high-technology equipment—that they wish to import from the United States.<sup>9</sup>

Since nearly half of China's exports to the United States are textiles, the recent renegotiation of the textile agreement between the two countries was a matter of great concern in Beijing. As a result of China's efforts at expanding American markets, textile exports to the United States have grown at an average rate of 19 percent per year over the last five years, causing a strong protectionist reaction on the part of American textile manufacturers. The new agreement, signed on December 19, 1987, and effective January 1, 1988, restricts that growth to 3 percent per year. United States negotiators countered expressions of China's dissatisfaction with these limits with the point that the new figure constitutes a concession to China's interest in expanding its exports to the United States. Other Asian textile producers, including Japan, South Korea, Taiwan and Hong Kong, are restricted to a growth rate in exports to the United States of only 1 percent per year.

Another issue concerning the Chinese in their relations with the United States is the slow rate of growth of American investment in China. China's moves to encourage such investment have been numerous and elaborate, beginning with the establishment of so-called "special economic zones" and the enacting of laws to protect foreign investors. Subsequently, some of the same preferential provisions applicable in the special economic zones were extended to the major coastal cities and other relatively more highly developed areas. But the response to these moves has been disappointing to the Chinese. Since 1980, foreign investment in China has totaled in excess of \$22 billion.

Rather than enterprises that produce goods and technology to fuel the development of China's domestic economy, however, successful joint ventures

<sup>7</sup>The point is made in some detail by Song Ximin, "Changes in International Relations," *Beijing Review*, May 2–May 8, 1988, pp. 28–21.

<sup>8</sup>Trade statistics are drawn from *Far Eastern Economic Review*, March 24, 1988, pp. 72f, and from *China Business Review*, May–June, 1988, pp. 56f.

<sup>9</sup>A discussion of this and other issues in Sino-American trade is found in Roger W. Sullivan, "Beyond Normalization," and David L. Denny, "U.S. Market Share in a Growing China Trade," in *China Business Review*, May–June, 1988, pp. 20–26.

to date are primarily in the service sector and have accomplished relatively little to foster the transfer of technology. Moreover, a high proportion of foreign investment is from Hong Kong rather than from the technologically highly developed countries whose interest the Chinese hoped to attract. Of the total amount of foreign investment, only about \$3.1 billion represents direct investment by American firms in some 300 projects.<sup>10</sup>

American and Japanese investors have been slow to put their money into China for a number of reasons. Initially, there was concern over political risk. What guarantees were there that the political instability of the three preceding decades would not repeat itself? With an accumulating track record of stability on the part of the current leadership, these concerns have faded, only to be supplanted by even more serious concerns about the difficulty of negotiating satisfactory mechanisms for the repatriation of profits.

Recognizing that it had reached something of an impasse in its efforts to attract new American investment—new equity joint ventures in 1986 dropped more than 30 percent in number and value over those initiated in 1985—the Chinese government issued a document in October, 1986, listing four areas in which regulations were needed to help resolve obstacles encountered by foreign investors, including the repatriation of profits, bureaucratic red tape, excessive costs for property and labor, and the lack of capable management. Pursuant to this document, a meeting of American and Chinese lawyers was held in Beijing in August, 1987, to discuss ways in which trade and investment could be facilitated through legislation and enforcement. More than 650 Chinese lawyers took part in the conference. The large American delegation was headed by United States Attorney General Edwin Meese 3d.<sup>11</sup>

A third economic issue continues to concern the Chinese and, during the course of the last year, it became linked with political considerations. Although the United States government has taken steps over

the last several years to open the way for the transfer to China of so-called “dual-use” technology—technology that has both a civilian and a potential military application—the Chinese government has consistently complained that each of these steps has been unnecessarily slow and that at each stage, those administering the licensing of technology transfers have been unnecessarily slow in issuing specific licenses.<sup>12</sup> This situation seemed to be clarifying to the mutual satisfaction of both sides, but on October 23, 1987, Washington announced that the licensing of the sale to China of some dual-use technology items was being suspended, in protest against China’s weapons sales to Iran.

## POLITICAL AND MILITARY ISSUES

Arms transfer issues have been the principal items on the political and military agenda in Sino-American relations during the last two years. China has very substantially increased its export of arms for two reasons, one of concern to the People’s Liberation Army (PLA), the other of concern to the Foreign Ministry. Having received relatively scanty allocations of foreign exchange and having thus been obliged to postpone military modernization until domestic industry can supply its needs, the PLA has turned its attention toward generating its own foreign exchange reserves. Arms transfers are the means by which it has attempted to accomplish this and, as a result of its efforts, China (with some \$5 billion in arms sales over the last four years) is today the world’s fourth largest arms exporter (after the United States, the Soviet Union and France).<sup>13</sup> The Foreign Ministry, in contrast, sees arms transfers as a means of extending China’s influence into regions of the world in which that influence is relatively low and of doing so at no cost to the Chinese government.

These two motivations coincided in the Persian Gulf. Iran proved to be an eager customer, providing China’s military manufacturers with a quick profit. At the same time, China became a significant player in a region in which the Soviet Union has been active for many years. When the United States government charged that China had sold up to \$2 billion in arms to Iran, including 40 Silkworm missiles, the Chinese government denied the charge as “sheer fabrication,” alleging that Chinese weapons were sold to Iran.

(Continued on page 270)

<sup>10</sup>Investment statistics through 1985 are drawn from People’s Republic of China, State Statistical Bureau, *Statistical Yearbook of China, 1986* (New York: Oxford University Press, 1986), p. 499. For 1986–1987, figures are drawn from *China Business Review*, May–June, 1988, p. 57.

<sup>11</sup>Han Xu, ambassador of the People’s Republic of China to the United States, commented on these issues in an interview published in *China Update*, Fall, 1987, pp. 3f.

<sup>12</sup>See Denis Fred Simon, “The Challenge of Modernizing Industrial Technology in China: Implications for Sino-U.S. Relations,” *Asian Survey*, April, 1986, pp. 420–440.

<sup>13</sup>Richard F. Grimmett, *Trends in Conventional Arms Transfers to the Third World by Major Suppliers* (Washington, D.C.: Congressional Research Service, 1988). Of the \$5 billion in Chinese arms sales, one-half went to Iran and one-third to Iraq, according to Grimmett.

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*"... Beijing's new foreign policy orientation is an obvious outcome of an assessment of China's international strategic environment. It is also dictated by the imperative of China's domestic economic program and entails a reordering of priorities."*

# Sino-Soviet Détente and Chinese Foreign Policy

BY JAMES C. HSIUNG

*Professor of Politics, New York University*

THE all-important thirteenth congress of the Chinese Communist party (CCP) set new directions for China's foreign policy. At the session, which met in late October, 1987, the party reordered China's foreign policy in three important ways: it reaffirmed China's "independent foreign policy"; it reformulated the five principles of "peaceful coexistence" as the guide for China's relations with all countries, including the Soviet Union; and it put an end to the long-standing campaign against "hegemonism."<sup>1</sup> A brief commentary on these three tenets is in order.

The "independent foreign policy" is a carryover from the twelfth party congress, which presaged a realignment in 1982 to allow a relaxation of tensions with Moscow, while putting good relations with Washington on hold. The term "independent" suggested an urge to remain free of any lopsided entanglement with either superpower. The shift also anticipated China's recognition of the Soviet Union once again as a socialist (as opposed to a revisionist) nation. However, the vigilance against "hegemonism" (a code word for Soviet chauvinism) was retained in 1982 as a strategic goal of Chinese foreign policy.<sup>2</sup>

The ending of the antihegemonism campaign at the thirteenth CCP congress represents a more positive approach to the Soviet problem than the Chinese have taken at any time in the past two decades. Together with the "peaceful coexistence" (PCX) initiative, the termination of antihegemonism registers a qualitative shift. To appreciate this point

fully, one has to remember that, in Beijing's usage, PCX has different applications at different periods. In the 1950's and 1960's, PCX governed Chinese relations with nonsocialist and non-Western countries like India and Egypt. Relations within the socialist bloc, on the other hand, were governed by a higher body of principles known as "proletarian internationalism" (PI). After the Sino-Soviet split, neither the norms of PCX nor PI applied to relations between the two Communist states.<sup>3</sup> Instead, the epithet antihegemonism came to dominate Beijing's foreign policy regarding the Soviet Union.

The reversal on the hegemonism score in late 1987 did not come about lightly or abruptly. Relations indeed had been steadily on the mend since 1982.<sup>4</sup> But while bilateral trade and official exchanges of visits were stepped up, further progress was blocked by what Beijing billed as the "three obstacles": the presence of Soviet troops along the common border (including neighboring Outer Mongolia); the Soviet presence in Afghanistan; and the Soviet-aided Vietnamese occupation of Kampuchea (Cambodia).

However, Soviet General Secretary Mikhail Gorbachev's conciliatory speech at Vladivostok, on July 28, 1986, ushered in a new era. Deng Xiaoping, China's de facto leader, reacted positively, remarking: "I myself will be ready to meet him" — provided the Soviet Union intended to remove the "three obstacles."<sup>5</sup> In the course of 1987, the border talks, suspended since 1978, were resumed. Two sessions were held within six months at the deputy foreign minister level. More spinoff talks were held by "work teams" created to discuss details. To these forums were to be added the biannual rounds of "normalization" talks begun in late 1982, and the routine talks within the bilateral scientific and technical cooperation commission established under agreements signed during the mission to Beijing by Soviet Deputy Foreign Minister Ivan Arkhipov in 1984. The exchanges of functional, scholarly, business and mayoral visits provided other forums of consequence.

In retrospect, the official change of attitude in

<sup>1</sup>See General Secretary Zhao Ziyang's report before the CCP's 13th congress, October 25, 1987, in *Hong Qi*, no. 21 (November 4, 1987), pp. 3-26.

<sup>2</sup>James C. Hsiung, *Beyond China's Independent Foreign Policy* (New York: Praeger, 1985), p. 171. Also see report of Hu Yaobang, then General Secretary, to the CCP's 12th congress.

<sup>3</sup>James C. Hsiung, *Law & Policy in China's Foreign Relations* (New York: Columbia University Press, 1972).

<sup>4</sup>For origins of the current Sino-Soviet détente, see James C. Hsiung, "Soviet-Chinese Détente," *Current History*, October, 1985, pp. 329-333.

<sup>5</sup>Deng Xiaoping on Sino-Soviet Relations," People's Republic of China (PRC) mission to the UN, press release no. 32, September 6, 1986.



Beijing on the "hegemonism" issue was already clear in Prime Minister Zhao Ziyang's report in March, 1986. Of the five major points he made on foreign policy, three either were directed toward Moscow or gave hints of improved ties. First, Zhao reiterated a hope for the removal of the "three obstacles." Second, he offered PCX as a basis for "restoring" good relations, despite "ideological differences." Third, he declared that China's "open door" policy was extended to socialist nations and capitalist nations alike.<sup>6</sup>

Nonetheless, Zhao was careful in approaching the suspension of the CCP's campaign against hegemonism. In his keynote speech to the thirteenth congress in late 1987, speaking formally as the party's General Secretary, Zhao reviewed China's foreign policy since 1978. He singled out two cardinal principles that had guided Chinese foreign policy during that period. One was the principle of "one country, two systems," pursuant to which, Zhao said, China had successfully concluded agreements with Britain and Portugal regarding the return of Hong Kong and Macao respectively. The other principle, he said, was dedication to the goals of "independence," antihegemonism, and the "preservation of world peace." But in the final section of his report, in which he discussed the future course of Chinese foreign policy, the reference to hegemonism was dropped. Clearly, antihegemonism was a thing of the past.

## NEW STRATEGIC ENVIRONMENT

In the more relaxed atmosphere, the Chinese joined the Soviet Union in the celebration of the 70th anniversary of the "October Revolution" in November, 1987. A high-level mission—headed by Zhang Wenjin, former ambassador in Washington, who now heads the Chinese Association for Amity with Foreign Nations—was sent to Moscow to attend the ceremonies. It was the first such mission since the 1960's. At home, Beijing also hosted gala

<sup>6</sup>Prime Minister Zhao's report to the 4th session of the National People's Congress (NPC), in *Renmin ribao*, March 26, 1986.

<sup>7</sup>See "Mikhail Gorbachev's Statement on Afghanistan," U.S.S.R. mission to UN, press release no. 25, February 9, 1988.

<sup>8</sup>United States Department of State, *Afghanistan: Eight Years of Soviet Occupation* (Washington, D.C.: December, 1987), p. 21. A Soviet withdrawal agreement was signed in Geneva on April 11, 1988. See *The New York Times*, April 12, 1988.

<sup>9</sup>*Far Eastern Economic Review* (Hong Kong), February 4, 1988, pp. 30–31. Also PRC mission to UN, "Statement by Ambassador Li Luyue," October 13, 1987; USSR mission to the UN, "Statement of the Soviet Government [on Kampuchea]," press release no. 140, October 19, 1987.

<sup>10</sup>Prince Norodom Sihanouk's "Message to the UN General Assembly" regarding "Item 24: The Situation in Kampuchea," delivered by Son Sann, Coalition Government of Democratic Kampuchea, before UN General Assembly, October 13, 1987.

events to mark the occasion. The official press carried prominent reports about festivities in the Soviet Union, hailing the October Revolution as a victory for Marxism-Leninism around the world.

There was considerable movement on all three fronts where the Chinese had formerly noted obstacles. In his Vladivostok speech, Gorbachev suggested that he would consult with Outer Mongolia on the withdrawal of Soviet troops from the Sino-Mongolian border. On another front, prospects of Soviet withdrawal were raised after Soviet Foreign Minister Eduard Shevardnadze visited Afghanistan in early 1987.<sup>7</sup> In Geneva, talks began between Pakistan and Afghanistan regarding a coalition government that would ensure stability after a Soviet pullout. China, which supported Pakistan in its aid to the three million refugees and to the rebels fighting in Afghanistan,<sup>8</sup> was monitoring the Geneva talks with great enthusiasm. Although the final accords were not forthcoming until mid-April, 1988, the Soviet Union's intention to terminate the Afghanistan obstacle had been known to Beijing since early 1987.

There was also progress on the Indochina front. Both in and outside the United Nations, an international consensus emerged as two efforts were being made: the negotiation of the withdrawal of Vietnamese troops from Cambodia, and the assembly of a quadripartite coalition government, representing the major contending forces, to be inaugurated in Phnom Penh.<sup>9</sup> Because of a prior Sino-Soviet agreement on both issues, it was possible for the members of ASEAN (Association of Southeast Asian Nations) and 57 other states to co-sponsor a "Situation in Kampuchea" resolution during the forty-second session of the United Nations (UN) General Assembly. Significantly, for the first time in nine years, Vietnam took part in the annual UN debate on Cambodia.<sup>10</sup> The Heng Samrin regime in Phnom Penh, installed by Vietnam, had given its consent to a similar solution. The intercession by the United Nations might be able to internationalize the Cambodian problem and remove it as an obstacle from the bilateral Sino-Soviet agenda.

From the Chinese standpoint, there have been new developments on the larger strategic horizon. In the late 1970's and early 1980's, there was a frightening breakdown in United States-Soviet relations; as a result, Washington had an interest in pushing China into a quasi-military relationship to contain Moscow. Both these trends were dangerous for Beijing's security interests. China's "independent foreign policy," inaugurated in 1982, was meant to offset these trends by avoiding intimacy with Washington, relaxing tensions with Moscow and encouraging a dialogue between the United States and the Soviet Union. In more recent years,



a United States-Soviet dialogue has been resumed, and United States pressures to corner China into a quasi-military relationship with Washington have been eased. Thus there are fewer strategic restraints on building a more "normal" Sino-Soviet relationship.

In bilateral Sino-Soviet relations, too, it is not hard to find empirical grounds to support a Chinese shift on the hegemonism question. At the start of the 1980's, China was obsessed with two perceived Soviet threats. One was the Soviet Union's geostrategic encirclement of China that stretched westward from Vladivostok and looped around to an India allied with Moscow. Thus, Soviet involvement in Cambodia and the Soviet occupation of Afghanistan constituted two of the three obstacles for Sino-Soviet relations. The second perceived threat was posed by Soviet missiles, including the SS-20 intermediate-range missiles.

By late 1987, however, both these threats had been mitigated. There was reasonable assurance that an eventual settlement of the Afghanistan question was forthcoming, and there was progress on a solution to the Cambodian situation. Hence, the encirclement problem receded to the background. The Soviet-American agreement signed in December, 1987, which sought to dismantle existing intermediate-range missiles (the INF treaty) and would obviate the retargeting problem Beijing had feared, further lessened the second threat to the Chinese.

### THE SINO-AMERICAN SLUMP

While its major problems with Moscow were apparently being brought under control, Beijing's problems with the United States were mounting; such problems included the dispute over "human rights in Tibet" and reports of Chinese arms sales (especially the "silkworm" missile) to Iran. Against this background, the United States Congress passed a number of resolutions condemning Beijing. The administration of President Ronald Reagan added in an embargo of technological transfers, which was not partially eased until March, 1988.

<sup>11</sup>Huan Xiang, "Sino-US Relations over the Past Year," *Beijing Review*, February 15, 1988, p. 30. Emphasis added.

<sup>12</sup>There is a separate article on Sino-United States relations in this issue of *Current History*.

<sup>13</sup>CCP, "Resolution of the 13th Party Congress on the Report of the 12th Central Committee (November 1, 1987)," in *Hong Qi*, no. 21 (November 4, 1987), p. 27.

<sup>14</sup>*Beijing Review*, January 11, 1988, p. 18.

<sup>15</sup>For an account of Chinese economic reforms, see Heath Chamberlain, "Party-Management Relations in Chinese Industries," *China Quarterly* (London), no. 112 (December, 1987). Also, Deborah Diamond-Kim, "Partners in Austerity: Sino-Soviet Bloc Economic Cooperation," *China Business Review*, May-June, 1987.

There were also trade problems, like those associated with the Multifiber Agreement (MFA), a multilateral instrument renewed at United States insistence. The Chinese refused to sign the agreement because China is the world's only producer of the silk, ramie and other vegetable fiber products that were placed under regulation, for the first time, under the MFA. In addition, many of the recent actions brought under antidumping laws in the United States affected the Chinese. In retaliation, Beijing banned imports of 40 types of products and product lines, and erected indirect barriers that affected United States imports.

All things considered, in early 1988 Sino-American relations probably hit the lowest point since President Richard Nixon's historic visit to China in the spring of 1972. If anything, the Chinese were apparently redirecting their verbal antihegemonic wrath toward Washington. Typically, an authoritative article in the official *Beijing Review* called United States criticisms of China "a blatant demonstration of hegemonism and . . . a threat to stable Sino-U.S. relations."<sup>11</sup> The recent souring of relations with the United States may give Beijing an extra push, if only temporary, in the Soviet direction.<sup>12</sup> In this light, the Chinese abridgement of antihegemonism is deliberate policy.

### DOMESTIC LINKS

There is a link between China's new foreign policy posture and its domestic policy priorities. In a unanimous resolution, the thirteenth congress reaffirmed the policy of "reforms" and "opening up [to the outside world]" as a first priority, in support of the nation's "economic reconstruction." The aim of the economic program was described as building a strong, modern, socialist China.<sup>13</sup> To continue the momentum of the economic reforms that began in 1978, China needs a foreign policy that will ensure access to the markets and resources (technology and capital) of both capitalist and sister socialist countries, including the Soviet Union.

Deng Xiaoping himself confirmed his domestic-foreign policy link. "When we decided on the domestic policy of [economic] construction," Deng said, "we adjusted our foreign policy [accordingly]."<sup>14</sup>

There is, possibly, one additional reason for the timing of the tilt toward Moscow. Under Gorbachev's "perestroika," the Soviet Union has embarked on a path of economic reforms that, in many ways, parallels China's own; particularly its paring down of the Stalinist type of planned economy.<sup>15</sup> Moscow is known to be more than casually interested in China's use of "special economic zones" (SEZ) and joint ventures financed by foreign investment. At one level, this interest has allowed the

CCP to consider the Soviet Union as ideologically compatible with China. In practical terms, the two countries may now compare notes and learn from each other's experience.

Postulating a new theory of a "socialist commodity economy," China has of late shown an enormous interest in linking up with the global economic structure. On an international television hookup via satellite with the World Economic Forum meeting in Davos, Switzerland, early in 1988, Zhao Ziyang explicitly confirmed to the world that China must dovetail its "socialist commodity economy" with the global economy, through trade and economic-technological cooperation.<sup>16</sup> Since 1979, Beijing has been actively soliciting foreign investments from all over the world. In eight years, an aggregate of over \$16 billion in foreign capital was attracted to China and was invested in 7,775 projects. Of this total, United States capital accounted for only 13 percent.<sup>17</sup> Beijing has gone a long way toward fostering a domestic environment hospitable to foreign investors and updating its business operations and procedures in line with international conventions.

### COURTING EAST EUROPE

The urge to globalize its economic relations has led China to search for expanded ties with members of the socialist bloc. In recent years, China's trade relations with the Soviet Union have expanded at impressive rates. In 1976-1980, bilateral trade showed a 276 percent rise over the record low period of 1966-1970. Since China's policy shift began in 1982, trade with Moscow has climbed continually, to 1.6 billion rubles in 1985, or 9.1 times the 1981 level. Under a new, long-term agreement, annual Sino-Soviet trade is expected to double the 1985 volume by 1990.<sup>18</sup> Improved relations with the Soviet Union will facilitate the Chinese "return" to the socialist bloc. The courting of East Europe, in fact, began even before the thirteenth congress. In his capacity as Chinese Prime Minister and acting General Secretary of the CCP, Zhao Ziyang took a three-week tour of East Europe in June, 1987.

Since the mid-1960's, China's trade with the socialist bloc has maintained a pattern of exporting more than it imports. According to statistics available in mid-1988, China had a \$1-billion trade sur-

plus with the Soviet Union in 1986. China also had a favorable balance from its trade with Romania, Poland, Czechoslovakia, East Germany, Hungary and Bulgaria, totaling \$1.4 billion.<sup>19</sup>

The Chinese courting of East Europe will probably continue. China has signed long-term trade agreements with all the East European nations under which trade will double the 1985 volume by the year 1990. The courting of East Europe is, in fact, an extension of China's interest in West Europe. In an appraisal of the relative importance of East and West Europe, Deng Xiaoping declared that the two were coequal parts of a "force for peace." Specifically, Deng deplored the "abnormal" state of China's relations with East Europe, a situation that was in line for correction. Since Europe is unlike the "card-playing" superpowers, Deng added, China's policy is to "develop a relationship of friendship and cooperation with . . . West Europe and East Europe." Deng then described the Chinese policy of seeking friendship with East Europe as "our new principle."<sup>20</sup>

In a recent policy shift on sending Chinese students abroad for advanced education, China favors Europe over the United States. A new Chinese directive envisions sending 50 percent of students going abroad to countries in Europe (including the Soviet Union), 10 percent to Japan, 20 percent to Australia and New Zealand, and 20 percent to the United States.<sup>21</sup> This new directive confirms a deliberate attempt at geographical diversification in line with China's new foreign policy orientation.

### SEARCH FOR NEW TRADE PARTNERS

An interest in economic globalization will continue to color Beijing's foreign policy. A few items illustrate this point.

- China is seeking to expand its trade relations with industrial countries in what used to be called the "second world," notably Australia, Canada and West Germany, in addition to Japan. Sino-Australian trade reached an unprecedented high of \$1.6 billion in 1987. Following a tenfold increase in six years, Canadian trade with China is expected to continue the upward swing. Beijing's need to diversify its trading partners, in the face of its impasse with the United States, will most likely give a fillip to its relations with West Germany. Trade with the latter has expanded, in recent years, from a 3.8 per-

(Continued on page 277)

<sup>16</sup>*Renmin ribao*, February 3, 1988.

<sup>17</sup>Statistics taken from "China Data," in *China Business Review*, May-June, 1987, p. 33.

<sup>18</sup>A. Kuznetsov, "USSR-PRC: Trade and Economic Relations," *Far Eastern Affairs* (Moscow), no. 3 (1986), p. 64.

<sup>19</sup>Data based on information provided in *China Business Review*, May-June, 1987, p. 13.

<sup>20</sup>*Beijing Review*, January 11, 1988, p. 18.

<sup>21</sup>*The New York Times*, March 24, 1988.

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**James C. Hsiung's** latest book is *Beyond China's Independent Foreign Policy* (New York: Praeger, 1985). He is working on a volume on the Sino-American-Soviet triad as a three-person game.

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*"... the conflict between the radical political reformers and the Chinese state will probably become increasingly important in determining the fate of China's modernization, as the question of China's political future moves to the center of the Chinese political agenda."*

## Politics and Political Reform in China

BY DAVID BACHMAN

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FROM mid-1987 to mid-1988, the Chinese political system went through one of the periodic cycles that often characterize developments in China. In mid-1987, reform of any kind was threatened. Conservatives, particularly conservative ideologues, were attacking all forms of "bourgeois liberalization," which, they believed, stemmed from the reforms. Yet by mid-1988, reformist concerns again dominated the political agenda, and while progress in various initiatives was far from guaranteed, the reformist camp emerged from the complex developments of 1987-1988 with its position enhanced.

Given the perspective of early 1987, when Hu Yaobang, the General Secretary of the Chinese Communist party (CCP), was forced to resign because he treated student demonstrations too leniently, the return (and even enhancement) of reform ideas was no mean achievement. Moreover, the most controversial issue of 1986, political reform, still remains a vital concern.

In terms of political power, reformers were able to consolidate their position at the thirteenth national congress of the CCP held in October-November, 1987, and, to a lesser extent, at the first session of the seventh National People's Congress, convened in March-April, 1988. While the reformist leadership was strengthening its political position and reviving the issue of political reform, few political reforms were accomplished. This is due to several factors, not the least of which is the fact that the meaning of political reform is highly ambiguous. Chinese leaders agree on the need for some sort of political reform, but there is far less agreement on the type of political change that should be pursued. Building a relative consensus on political reform will be one of the two or three most important tasks for the new party and state leadership in the coming year, and until such definitional clarity is reached, little progress on major reforms is likely. Even then, political reforms will not be easy to implement.

The Chinese political system can be divided into three layers or levels. Such an approach is simplis-

tic; nonetheless, it is useful in analyzing politics and the dimensions of political reform. The boundaries among the levels are not hard and fast, nor are they permanent. Each layer has its own inner processes, and each level interacts with the other two, again employing strategies and tactics that are characteristic of each domain.

At the top of the system is the leadership—the approximately three dozen top party members who make the critical decisions. They authorize basic resource allocations, decide on the broad outlines of Chinese foreign policy, select key personnel, and resolve other major issues. Entry at this level is not based solely on organizational position. Years of service and experience in the Chinese revolution and postrevolutionary construction, the range of one's contacts and connections and expertise on particular policy issues can all supplement or compensate for the lack of a formal position.

The middle level of the political system is the state apparatus. It is composed of the government and party bureaucracies, the military and, more loosely, intellectuals concerned with policy issues, like members of United States "think tanks." This layer is concerned with the processes of policy specification; policy implementation and information processing.

This middle level is constantly sending data to the top level for consideration. The top leaders have little time to process all the information they need to make decisions by themselves; consequently, they must rely on others to do it for them. However, organizations cast this information in ways that serve their bureaucratic interests. They "massage" the data to serve organizational goals.

The third level of the Chinese political system is society at large—ordinary workers, peasants and others who are not involved in the administrative and political systems. One of the major characteristics of Communist governments is that they try to organize society into state-sponsored organizations, making it all but impossible for members of the society to make autonomous demands on the state. Yet without ways of finding out what people want



and satisfying their wants at least to a minimal extent, governments (of any sort) find it very difficult to do much.

Political reform affects the three levels and the interactions among levels. Moderate political reform, meaning limited steps to rationalize and improve existing structures of rule, largely affects intralayer practices. Radical political reform concentrates on relations among levels, especially on strengthening the capacities of society vis-à-vis the state apparatus.

## POLITICAL DEVELOPMENTS

Many of the political developments of 1987–1988 were explicit or implicit responses to developments in 1986.<sup>1</sup> The Chinese de facto leader Deng Xiaoping's call for reforming the political system was first enunciated in mid-1986. Deng believed that the political system was holding back the reform of the economic system. He particularly singled out "organizational overlapping, overstaffing, bureaucratism, sluggishness, unreliability and the taking back of powers granted to lower levels [by higher levels]" as the objects of political reform.<sup>2</sup> Deng often repeated his views, and other major political figures joined him, but no actual plans for or specific details about political reform were produced in 1986.

At the same time, more conservative leaders of the party, especially Deng Liqun and Hu Qiaomu, were concerned about what they called "bourgeois liberalization"—phenomena that weakened the leading role of the party and the primacy of Marxist-Leninist-Maoist thought. These demands—for political reform on the one hand and tightening up on ideology and morals on the other—were joined at the sixth plenum of the twelfth Central Committee in September, 1986, which endorsed a resolution on principles of "Building a Socialist Society with an Advanced Ideology and Culture."<sup>3</sup> Essentially a compromise document, the resolution supported both the political and economic reforms and the criticism of bourgeois liberalization.

The sixth plenum compromise was unsatisfactory. Intellectuals grew increasingly restive about

<sup>1</sup>For background on the events of 1986–1987, see Victor C. Falkenheim, "The Limits of Political Reform," *Current History*, September, 1987, pp. 261–265, 279–281; Stanley Rosen, "China in 1987: The Year of the Thirteenth Party Congress," *Asian Survey*, vol. 28, no. 1 (January, 1988), pp. 35–51; and David Bachman, "Varieties of Chinese Conservatism and the Fall of Hu Yaobang," *Journal of Northeast Asian Studies*, forthcoming.

<sup>2</sup>Deng Xiaoping, *Fundamental Issues in Present-Day China* (Beijing: Foreign Languages Press, 1987), p. 143.

<sup>3</sup>The text of this resolution is found in *Beijing Review*, October 6, 1986.

<sup>4</sup>These are described in Benedict Stavis, *China's Political Reforms* (New York: Praeger Publishers, 1988).

the lack of progress in the area of political reform and advocated increasingly radical proposals for political reform, a number of which were totally consistent with the Western principles of separation of powers, multiparty democracy, and human rights. The lack of attention to these and other more tempered views, coupled with a number of more particularistic issues, like poor living conditions at Chinese universities, culminated in a series of demonstrations and protests in at least 17 major Chinese cities, starting in November, 1986, and ending in January, 1987.<sup>4</sup>

The conservatives were also unhappy with the compromise emerging from the sixth plenum. They pointed with alarm to the radical reform proposals and the demonstrations, which they saw as clear evidence of the widespread effects of bourgeois liberalization. The growing disorder caused by the student protests not only reinforced the conservative position, it also persuaded Deng Xiaoping and other more reform-minded leaders that the situation was out of hand and that a limited crackdown was in order. In late December, 1986, and early January, 1987, Deng ordered CCP General Secretary Hu Yaobang to suppress the demonstrations. When Hu resisted a harsh crackdown, Deng demanded Hu's resignation, which was submitted in mid-January.

Hu's fall created a period of great uncertainty in Chinese politics, which lasted until the thirteenth party congress in October–November, 1987. Would the crackdown on the students and outspoken intellectuals be harsh? What would become of economic reforms and the open door policy, to say nothing of political reforms? Would more conservative leaders now rule China? Who would replace Hu Yaobang as Deng's apparent successor to China's most powerful positions?

In retrospect, the onslaught of the conservatives was relatively mild, and by May, 1987, preliminary answers to the questions raised above were forthcoming. Zhao Ziyang, the Prime Minister of the State Council, had become acting General Secretary of the party and perhaps the most important politician in China after Deng Xiaoping. Zhao and Deng skillfully limited the impact of the campaign against bourgeois liberalization, arguing that the campaign should not interfere with the open door policy and economic reform. Moreover, they succeeded in keeping the issue of moderate political reform on the political agenda.

After the fact, the crackdown on students and dissident intellectuals seemed mild. Students had to take more courses designed to instill proper socialist virtues, but there was little direct punishment of student activists. A few of the most vociferous intellectuals were removed from their positions and

were asked (or forced) to leave the party. Yet the most outspoken, Fang Lizhi, a noted astrophysicist, was not silenced, and he was allowed to continue his research and even travel abroad to attend an international conference in mid-1987.<sup>5</sup> The ideological conservatives Deng Liqun and Hu Qiaomu apparently overplayed their positions and lost support when other leaders felt that this twosome was going too far and was likely to provoke another round of the destructive ideological campaigns that had all but destroyed the creativity of China's intellectuals. These results were clarified and codified at the thirteenth party congress.

### THE 13TH PARTY CONGRESS

The thirteenth party congress made several contributions to the continuation and deepening of reform.<sup>6</sup> The congress and the Central Committee plenum immediately following announced a new leadership, dominated by a younger, more vigorous and better educated cohort of party members. In his report to the congress, Zhao Ziyang proclaimed a new ideological rationale for reform, which made conservative ideological attacks on the reform process more difficult. Zhao's report also contained proposals for moderate political reform.

The thirteenth party congress authorized a major readjustment of top leadership positions and a thorough revamping of the Central Committee. Powerful older figures like Deng Xiaoping, Chen Yun, Li Xiannian and Peng Zhen withdrew from the Politburo (this is not to say that they have no influence over political events). This left Yang Shang-kun, permanent secretary of the Party Military Affairs Commission and the President of the People's Republic (as of April, 1988), as the only octogenarian on the Politburo. Zhao Ziyang was confirmed as party General Secretary. Joining him on the Politburo Standing Committee were Hu Qili, Li Peng, Qiao Shi and Yao Yilin. In a formal sense, these are the five most powerful party officials, but Deng Xiaoping, Yang Shangkun, Chen Yun and perhaps several other figures not on the Politburo retain as much power and authority as some

members of the Standing Committee.

The new Politburo was made up of leaders of important geographic units (Tianjin, Beijing, Shanghai and Sichuan) and important bureaucratic organizations (the State Planning Commission, the Commission to Reform the Economic System and the State Education Commission). Of great symbolic importance, Hu Yaobang retained a seat on the Politburo, showing that his disgrace was limited and that the policy positions he supported have significant political backing. Only two members of the Politburo are active in military affairs and, overall, the representation of the military in top party bodies has declined sharply. Similarly, clearly identifiable ideological conservatives, like Deng Liqun and Hu Qiaomu, are not easy to identify on the Politburo, the Secretariat and the Central Committee.

The average age of members of the new Central Committee of 285 people is slightly over 55 years, with almost half the membership younger than 55. More than 200 of the new Central Committee members have had a college education. All provincial leaders and the leaders of most government ministries serve on this body. Again, military representation has declined.<sup>7</sup>

But while the new party leadership is younger and better educated, the balance of political forces remains somewhat obscure. True, there is a consensus on the need for modernization and some reform. But there is significant disagreement concerning the scope and timing of reform. Those who have been called moderate reformers support limited and gradual economic changes (beyond those already in place). They support only moderate political reform. The radical reformers favor rapid attempts to reform the price system, to open the economy further to the outside world, and some (as yet unspecified) dilution of the scope of party rule. Conservatives, who may be said to oppose any further reforms and who may want to reverse some existing policies, no longer have a major voice in the political system.

Some care was taken to see that a rough balance was struck between moderate and radical reformers in the upper levels of the party. Zhao Ziyang and Hu Qili are seen as the radical reformers, with Li Peng and Yao Yilin as the more moderate reformers; the views of Qiao Shi are unclear. The breakdown of radical and moderate reform views in the Politburo and the Secretariat is also difficult to assess with any confidence.<sup>8</sup>

At the party congress, Zhao also provided an ideological justification for the reforms. While his views may not be a major contribution to Marxist thought, they are of great practical significance in China.<sup>9</sup> He argued that China was in the primary stage of socialism, a period that would last until the

<sup>5</sup>On Fang, see Orville Schell, "China's Andrei Sakharov," *The Atlantic Monthly*, May, 1988, pp. 35-52.

<sup>6</sup>For more details on the congress, see Michel Oksenberg, "China's 13th Party Congress," *Problems of Communism*, November-December, 1987, pp. 1-17.

<sup>7</sup>For a full review of the new 13th Central Committee, see Li Cheng and Lynn White, "The Thirteenth Central Committee of the Chinese Communist Party," *Asian Survey*, vol. 28, no. 4 (April, 1988).

<sup>8</sup>The positions of radical and moderate reformers are more fully developed in Harry Harding, *China's Second Revolution* (Washington, D.C.: The Brookings Institution, 1987).

<sup>9</sup>Zhao's speech is available in *Beijing Review*, November 9-15, 1987, pp. 23-49.

middle of the next century. Because overall levels of economic development were low in China, the principal task of the Chinese people was to promote economic growth. Anything that served to hasten economic development was in keeping with this characteristic of the primary stage of socialism. Therefore, no effective measure could be ruled out just because it violated ideological tenets.

In other words, Zhao's formulation made it extremely difficult for ideological conservatives to complain that certain economic reforms were not in keeping with socialism. The ground was cut out from under potential conservative opposition. Zhao's statements on the primary stage of socialism were not terribly original—many of the points he made summarized views that had been circulating since the late 1970's. But at no time had they been expressed with as much political force as they were at the thirteenth party congress, and his comments appear to have taken on the force of doctrine.

Finally, Zhao also outlined political reforms that the party should gradually implement over the next few years. He called for a clearer division of labor between the party and government structure; more power should be decentralized to lower levels; bureaucracy should be rooted out of the government structure through administrative streamlining and other measures; the personnel system should be reformed, with a professional civil service emerging and political leaders having fixed terms of office; methods of consultation between the party and the government on the one hand and the Chinese people on the other should be strengthened; elections and representative bodies at various levels should be made more democratic; and, finally, the legal system should be further developed. These measures indicated that the demonstrations of 1986–1987 did not end political reform, and while Zhao's proposed reforms were generally of a moderate cast, they might well evolve in more radical directions.

The thirteenth party congress reconfirmed the party's commitment to reform and helped to reassure intellectuals that the ideological crackdown of early 1987 was over. Ideological conservatives and many of the old party leaders saw their positions diminished. Party leaders retain considerable authority and influence, but their limited physical and mental strength reduces their ability to control events. A new, more technocratic Central Committee was selected, and a balance was struck at the very highest leadership level between moderate and radical reformers. Given the situation in early 1987,

these outcomes were a major victory for the radical reformers.

Radical reformers seem to have had more control over political events than moderate reformers since the thirteenth congress. Zhao has supported further opening of the coastal regions. Price increases of between 30 and 60 percent for major food products illustrate that the leadership has agreed that the incentive effect of higher prices outweighs the political cost of inflation.<sup>10</sup> The high command of the Chinese military has been overhauled and Zhao (unlike Hu Yaobang during his tenure as General Secretary) has been named first vice chairman of the Military Affairs Commission.

Yet many of the social and economic problems facing the new Chinese leadership defy easy remedies. Inflation has been severe, compared to previous experience under Communist party rule. Corruption within the party remains serious. Intellectuals and students continue to be dissatisfied with many aspects of party control. Labor productivity grows less rapidly than industrial wages, threatening to undermine Chinese competitiveness in world markets. There are many other problems, none of which are susceptible to easy solution by a radical or a moderate reform policy platform.

In the first session of the seventh National People's Congress (NPC), China's nominal legislature, there was a continuing commitment to reform, but an awareness of the difficulties of further reforms. The NPC made continued progress, but no major new departures were announced. The State Council, China's national government, was streamlined, and new ministers were announced, who were younger and better educated than their predecessors. Li Peng was confirmed as Prime Minister. New laws were promulgated, and problems were aired, though solutions were less evident.<sup>11</sup>

Perhaps the most striking development of the NPC was the restiveness of the delegates. They challenged official assessments of the situation, and a significant minority voted against party-selected candidates. The delegates protested their own position, seen by everyone as a rubber-stamp role. Problems in the educational system and in agriculture received a great deal of attention. Students and other intellectuals, in conjunction with the NPC deliberations, held their own minor demonstrations to protest conditions in the educational system and in society. Indeed, this session of the NPC may well be seen in retrospect as sym-

(Continued on page 275)

<sup>10</sup>"Food Prices Rise 30-60%," *Beijing Review*, May 23–29, 1988, p. 10.

<sup>11</sup>For analysis, see *China News Analysis*, no. 1360 (May 15, 1988).

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**David Bachman** is the author of the monograph *Chen Yun and the Chinese Political System* (Berkeley: University of California–Berkeley, Institute of East Asian Studies, 1985).



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*Although "in the immediate future, the reformists may introduce more experiments patterned after the capitalist model . . . the utopian forms of socialism and communism may still be upheld. So long as the present leadership adheres to the Four Cardinal Principles . . . a radical change in ownership and the abolition of the central planning system may not be realized in China."*

## China's Economy: New Strategies and Dilemmas

BY CHU-YUAN CHENG

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**A**FTER two years of conflict and deliberation, the Chinese economy has entered a period of initiatives and uncertainties. The thirteenth party congress lent the power of the Chinese Communist party (CCP) to the reformists, who have formulated a new guideline and a new strategy focusing on the deepening of the reform and the development of the coastal areas. However, the economy has encountered many thorny issues, including the stagnation of food grain production and a rampaging inflation. Failure to tackle these problems effectively may intensify social tension and threaten the reform program.

The thirteenth party congress, which concluded in early November, 1987, signaled a clear but incomplete triumph for the reformers. The removal of members of the conservative group in the party's Politburo and Secretariat paved the way for Zhao Ziyang, who was confirmed as CCP General Secretary, the new strongman. However, his protector, the 83-year-old Deng Xiaoping, still holds ultimate power and is China's de facto leader. In his report delivered to the party congress on October 25, 1987, Zhao presented "The Theory of the Primary Stage of Socialism," in which he contended that China is in the first stage of socialism, not in an advanced socialist state, as many Maoists claim.<sup>1</sup>

Zhao asserted that, despite its socialist structure, China ranks among the poorest nations in the world in terms of per capita gross national product (GNP). Of a population of more than one billion individuals, 800 million live in rural areas and, for the most part, use hand tools to make a living. Nearly one-fourth of the population is illiterate or semi-literate. China's principal problem is the conflict between the growing material and cultural demands of the people and meager productivity in industry and agriculture.

The primary stage of socialism, as Zhao defined it, is not a short-term expedient, but a stage that will last at least 100 years, from the 1950's to the middle of the next century. The new concept represents a formal repudiation of Chairman Mao Zedong's radical policies, which held sway in China for almost 40 years; it provides a theoretical justification for the reform program of the last nine years. Since Zhao's theory is enshrined as the official party line, it will be much more difficult for the hardliners to mount a direct attack on any new reform programs.

The first move under the reform guidelines is to allow farmers to transfer their land-use rights to others and to permit local governments to sell the land-use rights to foreign investors. Since the founding of the People's Republic of China on October 1, 1949, all land in China, regardless of its use, has belonged to the state, a principle stipulated in the constitution; this is a pillar of socialist orthodoxy. Following the breakup of the communes and the distribution of land to individual farmers a decade ago, the transfer of land-use rights has been regarded by many economists as an inevitable step toward improving the existing system of land use.

The new land-use policy has two major aspects. First, fees will be charged for land used for non-farming purposes in an effort to curb the startling loss of about 400,000 hectares of farmland every year. Second, although the land remains publicly owned, ownership will be separated from the right to use it. Managers will have the right to use the land that they have contracted to farmers and will be allowed to transfer this right with or without compensation. If land managers have invested in the land to improve the soil, they can ask for compensation.<sup>2</sup> In practice, once the right to use the land has been granted to a farmer, it cannot be taken away by the state. Farmers are permitted to pass their land-use rights on to their children. Thus, the new land-use policy moves a step closer to selling the land itself.

In urban areas, the sale of land-use rights has dif-

<sup>1</sup>Zhao Ziyang, "Advance along the Road of Socialism with Chinese Characteristics," *Renmin ribao* (People's Daily), November 3, 1987, pp. 1-4.

<sup>2</sup>*Beijing Review*, vol. 30, no. 46 (November 16-November 22, 1987), pp. 6-7.

ferent purposes. It will become a vehicle by means of which local government can raise investment funds; at the same time it has created a real estate market in which long-term leases can be bought and sold, mortgaged and passed from generation to generation. In December, 1987, the right of use for 8,580 square meters of land was publicly auctioned for Y5.25 million (about \$1.4 million) in Shenzhen. Since then, sales of land rights have been conducted in Shanghai and several other major cities.<sup>3</sup>

Another major move is the revival of the Enterprise Law, which was designed to enhance the power of managers and directors of state enterprises and to limit the power of party secretaries. The law was scheduled to be discussed and ratified by the National People's Congress (NPC) in March, 1987, but consideration was deferred by the conservatives. Finally approved by China's legislature in April, 1988, the law establishes the principle of separating the ownership of the enterprise from its management. The enterprise will enjoy the right to use and dispose of property that the state puts under its control. Moreover, the factory director can be appointed by a government department or elected by a workers' congress, a system similar to the system of workers' councils in Yugoslavia.<sup>4</sup>

The reformists regard implementation of the Enterprise Law as crucial to urban reform. It represents an important change from the former enterprise leadership system and establishes factory directors or managers as legal representatives of enterprises. These directors are to assume principal responsibility the performance of their enterprise. Broadly speaking, the law will allow enterprises to determine their own management structure, will grant greater leeway to industries to negotiate contracts with foreign partners, will permit factories to change their products in response to market demand and will make it easier for workers to be hired and fired. Thus the law frees state enterprises from government control and enables management to enter the world of market competition.<sup>5</sup>

The third major move in the period after the party congress is the decision to initiate housing reform. Under the existing system, the state builds apartments and distributes them through work

units. Rents are minuscule, and the state has carried the entire burden of providing housing for all workers and employees. Because urban population has tripled in the past four decades, housing distribution has become a severe social problem. In March, 1988, the State Council approved a plan to commercialize the housing business; under the plan, housing will be treated as a commodity.

Housing reform will involve (1) changing the system of distributing state funds from subsidies for housing construction and maintenance to subsidies for wage earners; (2) treating housing construction as commodity production rather than as a fixed capital investment of the state; (3) forming a housing fund to concentrate on various funding channels; and (4) launching a real estate market and developing real estate financing. By the year 1990, all cities, except those in border, remote and underdeveloped regions, are expected to choose housing reform.<sup>6</sup>

## COASTAL DEVELOPMENT

In economic development, the new leadership under Zhao Ziyang plans to open all the coastal areas and turn them into a huge export-processing zone. According to this strategy, China's vast coastal areas will introduce flexible preferential policies to attract foreign funds, to import foreign raw materials and further to expand foreign trade. The new policy stems from two considerations. Externally, because of the rapid rise in labor costs, the developed world has recently been readjusting its industrial setup by moving labor-intensive industries to locations where labor costs are low. China's coastal areas fit this pattern. These areas encompass 320,000 square kilometers and a population of 160 million people. While labor costs remain very low, labor skills are relatively high. China should, therefore, be able to attract sizable foreign investment.

Internally, with the mushrooming of local industries across the country, the traditional input-output relationships between China's coastal and interior areas have undergone fundamental changes. The coastal areas can no longer rely on interior provinces to supply raw materials. The two parts of China are, in fact, competing for scarce materials. To alleviate this situation, the coastal areas should become outward-oriented, securing raw materials and investment funds from abroad. The goods processed in such areas should then be re-exported to foreign markets. Only in this way can China expedite the development of the coastal areas and simultaneously boost the development of the central and western regions.<sup>7</sup>

To realize this strategy, efforts have been made on several fronts. First, Hainan Island, the

<sup>3</sup>Edward A. Gargan, "China Selling Land Rights in a First to Foreigners," *The New York Times*, March 23, 1988, pp. 25 and 30.

<sup>4</sup>*Beijing Review*, vol. 31, no. 18 (May 2-May 8, 1988), p. 9, and *The New York Times*, April 14, 1988, p. 9.

<sup>5</sup>Yang Xiaobing, "Enterprise Law: A Milestone for Reform," *Beijing Review*, vol. 31, no. 18 (May 2-May 8, 1988), pp. 24-26.

<sup>6</sup>*Beijing Review*, vol. 31, no. 18 (May 2-May 8, 1988), pp. 12-13.

<sup>7</sup>"Zhao on Coastal Areas' Development Strategy," *Beijing Review*, vol. 31, no. 6 (February 8-February 14, 1988), p. 9.

country's second largest island (after Taiwan), was granted the status of a separate province in April. The move was publicly hailed as a major government step toward opening investment opportunities to the outside world and an important factor in the strategy for developing an export-oriented economy in the coastal areas. Situated between the South China Sea and the Beibu Gulf, Hainan Island faces Liezhou Peninsula across the Qiongzhou Strait. With an average annual temperature of between 22°C and 26°C and rainfall of about 2,000 mm., Hainan is a lush tropical island. It covers an area of 34,000 square km. (compared to the 36,000 square km. of Taiwan), with a population of 6.05 million. The island is rich in natural resources, with more than 50 different minerals. However, because of its geographical isolation and the political turmoil of mainland China, the island's potential has never been explored. Hainan remains an underdeveloped area and lags far behind China's other coastal regions.

To improve the situation, a three-stage development plan has been designed. The first stage has as a goal the doubling of Hainan's current output, an effort that is expected to take from three years to five years. The second stage aims at catching up with the developed areas in China, to try to quadruple the island's current output within five to seven years. The third stage aims at surpassing the productive performance of other developed areas within ten years.<sup>8</sup>

In order to attract foreign capital, the Chinese government has formulated special policies for Hainan including some internationally applied measures that have not been adopted in the other four special economic zones. The island will operate on the basis of a market economy; no controls will be placed on investment in capital construction. Construction funding will come mainly from abroad and from Hong Kong and Macao. On contract, foreign entrepreneurs will be allowed to manage local enterprises owned by the state or collectives; foreign banks will be allowed to set up branches in Hainan, which will be able to deal in foreign exchange deposits, stocks and bonds; and foreign airlines will be permitted to start scheduled flights to Hainan. And, finally, the sale, transfer or mortgage of land-use rights will be allowed. Such rights can

last 70 years and can be extended by renewing the contract.<sup>9</sup>

Second, the Chinese government has offered preferential treatment to foreign investors. In October, 1986, Beijing promulgated the "22 provisions" on foreign investment. The provisions and their implementing regulations are aimed not only at sweetening the conditions for investors, but at attracting the types of investment projects that China wants. The incentives offered to all foreign investment enterprises are directed toward specific ends, like facilitating exports or allowing enterprises additional options for solving foreign exchange imbalances.<sup>10</sup> Because of the critical shortage of foreign exchange, most foreign investors cannot achieve a balance between foreign exchange revenues and expenditures, despite these offers.

Consequently, the new provisions have so far failed to attract large inflows of foreign funds. Although the new contracts signed in 1987 were 33 percent greater in number than in 1986—a slump year—the total was still far behind that of 1985. In value terms, contracts were worth only US\$3.68 billion, up 10 percent over 1986 and only half the total in 1985. Most of these contracts represented small to medium-sized investments. To attract more foreign capital, since 1988 the government has adopted a two-pronged strategy: import substitution; and assembling and processing. Foreign companies or joint ventures that manufacture vehicles, chemicals, electronic products and technically oriented consumer goods may sell some of their products in the domestic market. Even low-technology assembling and processing activities are encouraged because they fill a technical and managerial gap.<sup>11</sup>

Third, because Beijing authorities believe that foreign capital is essential to China's modernization drive, Taiwan—with its foreign exchange surplus—has become a target. There are new regulations to increase trade with Taiwan and to attract funds from Taiwan. In 1978, before Beijing's peace overture, the value of Taiwanese-made products sent through Hong Kong to China was \$50,000. From this small base, the volume has surged tremendously. In 1981, two-way trade reached \$496 million and in 1987, it reached a record \$1.5 billion. After Taiwan lifted martial law in July, 1987, some businessmen began to make direct investments in China's coastal areas. According to the deputy governor of Fujian province, 46 enterprises with a total investment of more than \$27 million are being operated by Taiwanese capitalists in Fujian.<sup>12</sup> Many shoe producers in Taiwan have shipped their outdated machinery via Hong Kong into China and set up production lines in Guangdong and Fujian. To accommodate Taiwanese investors, the

<sup>8</sup>*Beijing Review*, vol. 31, no. 6 (February 8–February 14, 1988), p. 9.

<sup>9</sup>Yang Xiaobing, "Hainan Province—China's Largest SEZ," *Beijing Review*, vol. 31, no. 18 (May 2–May 8, 1988), pp. 18–23.

<sup>10</sup>Lucille A. Borale, "China's Investment Implementing Regulations," *The China Business Review*, March–April, 1988, p. 19.

<sup>11</sup>Elizabeth Cheng, "Despite Changes, Funds Fail to Flow Freely," *Far Eastern Economic Review*, March 24, 1988, pp. 77–79.

<sup>12</sup>*China Daily News* (New York), March 31, 1988, p. 2.



government of Guangdong has set up a special economic zone along the Canton-Shenzhen Railroad. Many Taiwanese businessmen predict that within two or three years, direct investment in China may become a common practice.

While Zhao's new strategy to encourage coastal development has been widely publicized in China's news media, reactions from Chinese politicians and economists are mixed. Many deputies from inland areas have expressed their doubts. They fear that the strategy will retard the development of the inland provinces and that coastal areas will attract talents badly needed by inland enterprises. Areas in west China believe that they are being forgotten. Some Chinese economists contend that it is easy to import raw materials from abroad but difficult to export products to international markets. Although China's labor is relatively cheap, it will not be competitive on the world market while its technology, management and quality control remain backward. Others have expressed concern that the new strategy may turn China into a processing base for other countries and may lead to the rise of bureaucratic capitalism and a comprador class.<sup>13</sup>

## AGRICULTURE AND INDUSTRY

China's GNP continued to enjoy impressive growth in 1987, with a growth rate of 9.4 percent over 1986. On a per capita basis, however, when converted into United States dollars at the official exchange rate, the Y1,011 figure (\$1 = Y3.7) was equivalent to only \$273 per capita, a figure still very moderate by international standards.

While industrial output showed an impressive gain of 14.6 percent over 1986, the output value of agricultural products registered a moderate gain of only 4.7 percent. Most of the agricultural output value came from rural industries, whose contribution exceeded that provided by the farm sector for the first time. Major agricultural products achieved only a marginal advance. Food grain output rose by 2.8 percent. Many cash crops, like sugarcane, jute and ambary hemp, suffered a decline. In livestock, the supply of pork lagged far behind the demand. The varying rates of growth between agriculture and industry and the shortage of both grain and pork have marred China's recent record of success in agricultural policy.

For the past three years, grain production has stagnated and has failed to meet the annual state plans. Grain output hit an all-time high of 407.3

million tons in 1984. In the following years, output declined; it reached only 379.1 million tons in 1985, 391.5 million tons in 1986, and 402 million tons in 1987. The 1987 output was still 5 million tons below the 1984 record; in the same period, China's population rose by 42 million. Consequently, per capita grain output fell steadily from 394 kilograms to 376 kilograms. Reduced grain output has also caused a livestock feed shortage which, in turn, has pushed up feed prices. As a result, many farmers have abandoned hog raising. In the first half of 1987, the state purchased five percent less pork from farmers while the country's pork consumption increased at an annual rate of seven percent. The result was a critical shortage of pork, which forced Beijing authorities to resume pork rationing in several major municipal areas including Shanghai and Tianjin in December, 1987.<sup>14</sup>

Agricultural stagnation has many causes. First, China's farmland (which was very small on a per capita basis) has been shrinking for more than three decades. The disappearance of farmland has accelerated in recent years. Peasant use of farmland for housing, village industries and other nonagricultural purposes has increased substantially; thus arable land shrank by an average of 470,000 hectares a year between 1981 and 1985 and dropped by a total of 676,000 hectares in 1986 and 1987. Consequently, it has been extremely difficult to increase both grains and cash crops.

Second, since the implementation of the contract responsibility system, state investment in agricultural infrastructure has steadily declined. During the 29 years between 1950 and 1979, agricultural investment accounted for 11.9 percent of China's total capital investment, a very small share by international standards. But the share has fallen sharply to only 3.4 percent in recent years. As a result, between 1980 and 1986 water conservancy facilities deteriorated and the country's total irrigated farmland shrank by 660,000 hectares. The decay of the infrastructure has had a great influence on agricultural output.

Third, the price system for agricultural products remains irrational. While most farm product prices were deregulated in 1985, grain prices remained under control. The controlled price was too low to

(Continued on page 281)

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<sup>13</sup>Han Baocheng, "Importance Attached to Coastal Development," *Beijing Review*, vol. 31, no. 17 (April 25-May 1, 1988), p. 21.

<sup>14</sup>*Beijing Review*, vol. 30, no. 50 (December 14-December 20, 1987), p. 11; *Beijing Review*, vol. 31, no. 6 (February 8-February 14, 1988), p. 7 and pp. 10-11.

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*"Any assessment of Chinese foreign trade has to acknowledge its growth and expansion, but such an assessment must also acknowledge significant difficulties and problems. . . . improvements on the Chinese foreign trade scene will depend on the continuing success of the present regime's larger political and economic reform program of which foreign trade is a part."*

## Chinese Foreign Trade in the 1980's

BY JOHN FRANKENSTEIN

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THE decade of the 1980's—the first decade of the economic reforms of China's de facto leader Deng Xiaoping—marks China's commitment to the global markets of the world capitalist trading system. In 1987, Chinese trade volume reached US\$82.7 billion. This figure represents the target projected for 1990 in the seventh five year plan, published only a year earlier; it also represents a 12 percent increase over 1986—exports were up by almost 28 percent—and a 118 percent increase over Chinese foreign trade volume in 1980. Indeed, Chinese economic aggregates are all up for 1987—gross national product (GNP) reached over Y1 trillion (about \$300 billion), an increase in real terms of 9 percent over 1986.<sup>1</sup>

But numbers alone, of course, do not tell the whole story. China's trade accounts are still in deficit. Foreign investment lags behind expectations. There is more to the story than simple percentage increases.

To understand Chinese foreign trade (or, indeed, the foreign trade of any country), several different aspects of that trade must be considered. To begin with, the role of foreign trade in China's economic development strategies must be understood; in what essentially remains a command, bureaucratic economy, the government role is crucial. Next, trends in several areas must be examined: the commodity composition of trade, trade partners and the

overall trade balance. Foreign investment trends must be included. And finally, to round out the picture, opportunities and problems on the trade scene should be identified.<sup>2</sup>

Present-day Chinese trade and foreign economic linkages of all kinds are part of the larger policies of economic and political reform that have been under way in China for the past 10 years. As such, they reflect the twists and turns in the evolution of the reform program. Thus, in 1984, when the reforms were in full swing, 14 coastal cities were "opened" to foreign trade and investment; expectations were that they would develop like the Special Economic Zones, areas along the southern coast of China near Hong Kong and Fuzhou and, it was hoped, they would attract foreign technology investment. But within a short time, the list of cities was cut back as the reforms came under fire from the bureaucratic opposition.

Since the thirteenth party congress in October, 1987, and the seventh National People's Congress in March, 1988, with the reform faction apparently in full control, the latest coastal development scheme is apparently to push all the coastal provinces into export development. But underlying such variations, Chinese policy has adhered to three closely related national economic developmental strategies: import-substitution, export promotion and conservation of foreign exchange.

Recent statements by Chinese leaders have reaffirmed the importance of trade and "open" foreign economic policies to Chinese national policy as a whole. In a speech to the thirteenth party congress in October, 1987, Zhao Ziyang, the former Prime Minister and current General Secretary of the Chinese Communist party, ranked "the open policy" among the top "guiding principles" and "major tasks" in Chinese economic development strategy.

Economic relations between states today [he said] have become increasingly close, and no country can possibly advance behind closed doors. When a country has only a poor foundation on which to build

<sup>1</sup>See State Statistical Bureau, "Statistics for 1987 Socio-Economic Development," *Beijing Review*, March 7, 1988; *China Daily Report*, Foreign Broadcast Information Service (FBIS), "Excerpts of Seventh Five Year Plan Released," April 18, 1986, p. K26. The 1980 figure of US\$37.82 billion is from the *Statistical Yearbook of China, 1985* (Beijing: State Statistical Bureau, 1985), p. 508.

<sup>2</sup>In most economies, trade doesn't just "happen" as a result of the "invisible hand" of the international market. A failure to recognize the role allocated to trade in national policy can lead to considerable difficulties, witness United States-Japanese relations. This comprises part of the thesis of Clyde Prestowitz's *Trading Places: How We Allowed Japan to Take the Lead* (New York: Basic Books, 1988). See also Pat Choate and Juayne Linger, "Tailored Trade: Dealing with the World as It Is," *Harvard Business Review*, January-February, 1988.

socialism, it is especially necessary for it to develop economic and technological exchange and cooperation with other countries and to assimilate the achievements of civilization the world over, so as gradually to close the gap between it and the developed countries. Closing one's country to external contact results only in increasing backwardness.<sup>3</sup>

Prime Minister Li Peng, Zhao's successor, echoed similar sentiments in late March, 1988, when he addressed the seventh National People's Congress. He particularly stressed the role of exports and the coastal areas as a model for further progress:

We must continue to open China still wider to the outside world, speed up the development of an export-oriented economy in the coastal areas and actively take part in international exchanges and competition so that economic prosperity in the coastal areas will give impetus to the development of the entire national economy.<sup>4</sup>

The policy trend, then, is toward more openness and deregulation in foreign trade, a reflection of reforms elsewhere in the economy. The trend has been institutionalized in several ways. The number of foreign trade corporations (FTC's)—that is, organizations permitted to engage in foreign trade—has grown from the 16 central government FTC's to over 1,200 "authorized" organizations. To be sure, the Ministry of Foreign Economic Relations and Trade (MOFERT) in Beijing still oversees the major FTC's and still has the final authority over Chinese foreign trade deals. But under policies announced in November, 1987, FTC's will become responsible for their own finances and operations, and will be able to retain a sizable percentage of their earnings—70 percent in the case of export-oriented light industry and 100 percent in the case of advanced electronics and machinery exports.<sup>5</sup>

<sup>3</sup>Zhao Ziyang, "Advance along the Road of Socialism with Chinese Characteristics," *Beijing Review*, November 9, 1987.

<sup>4</sup>Li Peng, "Report on the Work of the Government," *China Daily Report*, FBIS, March 28, 1988, p. 9.

<sup>5</sup>See Elizabeth Cheng, "New Freedom to Make a Profit . . . or a Loss," *Far Eastern Economic Review*, March 24, 1988, p. 74; Madelyn C. Ross, "Foreign Trade Offensive," *China Business Review*, July-August, 1987.

<sup>6</sup>*China Business Review*, published by the National Council for United States-China Trade in Washington, D.C., provides continuing practical legal commentary on these laws.

<sup>7</sup>According to industry statistics, the top four producers made some 10.1 million PC's in 1987, with the United States producing 43 percent, Japan, 22 percent, Taiwan, 21 percent and Korea, 15 percent. See *Free China Journal*, April 18, 1988, p. 4.

<sup>8</sup>These statistics are calculated from or provided by the following sources: Wang Pingqin, "1987, Basic Balance in Foreign Trade," *Beijing Review*, February 1, 1988; State Statistical Bureau, "1987—A Year of Stable Economic Growth," *Beijing Review*, January 11, 1988.

New laws have been added to China's emerging commercial legal system to help regularize foreign trade dealings. Since 1979, an array of laws covering many aspects of foreign trade—joint ventures, contracts, ownership, taxes, copyrights, patents, special provisions for business in the Special Economic Zones—have been promulgated; a new Co-operative Joint Venture Law was passed at the March, 1988, seventh National People's Congress. There are still many questions concerning their implementation; for instance, there is a marked lack of case law common to Western practice, and there are ambiguities concerning the applicability of good-faith contract provisions adversely affected by legislation passed subsequent to the signing of the contract. But the emergence of a commercial code can be read as a commitment to providing the regularized commercial framework required by foreign investors.<sup>6</sup>

Yet organizational reforms and laws provide only the framework. If Chinese exports are to lead Chinese economic development, they will have to compete with the other export-oriented economies of the Pacific, economies in which skillful exploitation of world technology trends is a key factor. For instance, Taiwan is now the world's third largest producer of personal computers (PC's), after the United States and Japan, and South Korea is number four.<sup>7</sup>

In other words, the technology component of a country's foreign trade is important. While China is not about to pose an immediate challenge to world technology leaders, the argument can be made that China has begun a slow shifting away from being an exporter of primary commodities. According to the State Statistical Bureau, "finished industrial products"—a broad category that includes both textiles and machinery—comprised 65.5 percent of China's exports in 1987, while primary products made up 34.5 percent; in 1986, the proportions were 62.7 percent and 37.3 percent. While on a year-to-year basis this may not seem to be a great shift, in 1980 manufactures represented 49 percent of exports. To be sure, textiles are still a sizable proportion of China's exports—about one-fourth—but a growing percentage of that sector comprises ready-to-wear and other value-added products. Seen in the light of rapidly growing exports—China claims an increase of 23–28 percent in 1987 over 1986—the trends seem clear.<sup>8</sup>

## CHINA AND THE ARMS TRADE

There is, however, one area of technology-driven international commerce in which the Chinese have made impressive gains but about which the Chinese say very little: the world arms trade. China is involved in a broad number of relatively small but still



significant military equipment and technology-import deals with Western countries: avionics, munitions technology and naval engines from the United States; tank and naval technology from the United Kingdom and Italy; artillery technology from Canada; and missile technology from France. There are persistent reports that China has important secret military deals for missile, tank, munitions and aircraft technologies with Israel, despite the fact that the People's Republic of China is a staunch supporter of the Arab cause in the Middle East.<sup>9</sup>

But where China has made the greatest impact has been in arms sales. It is estimated that in 1987, China sold about \$2-billion worth of weapons on the world market. According to the United States Congressional Research Service (CRS), China is now the world's fourth largest supplier of arms to the third world, trailing only the Soviet Union, the United States and France. The CRS estimates that China sold \$5.3-billion worth of arms between 1983 and 1986. While the top three suppliers sold far more—the Soviet Union almost \$60 billion, the United States \$25.5 billion and France \$16.5 billion—what is important is the rapidity with which China has emerged as an important arms supplier. The amount cited by CRS is a 167 percent increase in sales over the previous three-year period.

China's arms customers are worldwide, although most of them are in the Middle East. China sells tanks, aircraft, missiles and small arms to both sides in the Iran-Iraq war; these arms sales include the "Silkworm" missiles that have endangered shipping in the Persian Gulf. According to the CRS, between 1980 and 1987 China sold \$5.1-billion worth of arms to Iraq and \$3-billion worth to Iran. And in a significant escalation of military technology in the region, China has also sold Saudi Arabia Israeli-

modified intermediate-range ballistic missiles, which have the capacity to reach Iran, Syria and Israel. Other Chinese customers include Pakistan, Egypt and North Korea.

Authoritative military publications, like *Jane's Defence Weekly* and *Aviation Week & Space Technology*, routinely report on Chinese weapons developments and weapons' availability for export—these include not only Chinese designs but also copies of Soviet and United States weapons, including a Chinese copy of the United States standard issue M-16. China participates in international weapons and aircraft exhibitions, like the Farnsworth, Paris and Singapore Air Shows; indeed, Beijing was the site of a major weapons exposition, ASIANDEx 86, in 1986.<sup>10</sup>

It seems clear that China's interest in this trade is primarily economic; there are apparently few if any political strings attached to the weapons deals. (After all, Saudi Arabia maintains its embassy to China in Taipei, not Beijing.) The foreign exchange earned thereby is apparently retained for the most part by the Chinese military, which, in a time of decreasing central government budget allocations, is turning the excess capacity of the Chinese military industries to money-making civilian and military export activities. The market is wide open, and China is determined to participate.<sup>11</sup>

### TRADING PARTNERS: FAMILIAR FACES

But even if China is diversifying its markets in the military sphere, in the larger context of international trade, China's major trading partners remain the capitalist industrialized countries, led by Japan. Over the period 1979–1986, the annual average share of China's two-way trade for China's major trading partners has been: Japan, 24.9 percent; West Europe, 22.6 percent (including West Germany, 4.3 percent); Hong Kong, 21.5 percent; United States, 11.8 percent.<sup>12</sup>

Most analysts would agree that China has made a commitment to participate in the world capitalist economy. This economy provides the largest markets and potential sources of capital; it is also the economy that generates the technology that China needs. But the global political economy as a whole is not static, and even as the major capitalist countries maintain their positions, new trade partners for China are emerging. At this point, their emergence may be of greater political than economic importance, and because politics and trade cannot be separated, they must be examined.

Just as political relations with the Soviet Union have warmed, so too have trade relations between the two Communist giants. In the first decade of the People's Republic, the Soviet Union dominated Chinese trade; in 1955, for instance, the Soviet

<sup>9</sup>For the most recent reports, see "Israel, China Have Secret Arms Deal," *Mainichi Daily News*, April 4, 1988; David B. Ottaway, "Israel Helped Upgrade Arms It Now Fears," *Washington Post*, reprinted in *Arizona Republic*, May 23, 1988. See also John Frankenstein, "Chinese Weapons Development: Process, Progress, Program?" and Wendy Frieman, "Foreign Technology and Chinese Modernization," both in C.D. Lovejoy and W.B. Watson, eds., *China's Military Reforms* (Boulder: Westview Press, 1986).

<sup>10</sup>See "China Corners the Copycat Arms Market," *U.S. News & World Report*, April 11, 1988, p. 45; John H. Cushman, Jr., "U.S. Report Sees China as a Major Arms Dealer," *The New York Times*, May 12, 1988, p. 7; Drew Middleton, "Iraq Is Gaining the Upper Hand," *Arizona Republic*, May 23, 1988, p. A13. For examples of reporting on the Chinese arms industry, see Ian Hogg, "Recent Developments from China," *Jane's Defence Weekly*, October 11, 1986.

<sup>11</sup>For an up-to-date discussion, see "China: Spit and Polish Don't Cost Much" and "China Invents the Entrepreneurial Army," both in *The Economist*, May 14, 1988, pp. 37, 67.

<sup>12</sup>Calculated from International Monetary Fund, *Direction of Trade Statistics* (Washington, D.C.), various dates.

share of Chinese trade reached 57.8 percent. When the Sino-Soviet split came out of the closet in 1960, the Soviet Union's share of total Chinese trade began to slip, but it did not hit bottom until the Cultural Revolution. In 1970, Sino-Soviet trade totaled a mere \$47 million, or 1 percent of China's total trade.

That trade has grown dramatically over the past decade. In 1979, total Sino-Soviet trade was \$492 million, and by 1986, it reached \$2.7 billion, an overall increase of 450 percent.

Yet these macro-statistics tell only part of the story. To be sure, as the Chinese have repeated, the Chinese Open Door is open to all, and that would include the Soviet Union. Yet it is premature to see this as signaling the reemergence of the Soviet Union as China's dominant trading partner, much less as a strategic ally in the international game of nations.

To begin with, the trade volume foreseen in the trade agreement is modest enough. As Sino-Soviet trade has grown, so too has Chinese trade overall. The Soviet percentage of Chinese trade since 1979-1986 has averaged about 2 percent of that trade. Furthermore, a trend analysis of statistics offered by the International Monetary Fund (IMF) suggests that the Soviet Union has been eating not into the Western market share, but rather the share held by the third world and the East European countries. Although China has both state and party relations with East European countries, the East European share of the China trade declined from a high of 7 percent in 1979 to 2.9 percent in 1986, even as the Soviet share went from 1.7 percent to 4 percent over the same period.<sup>13</sup>

## FACTORS FOR GROWTH

The growth in Sino-Soviet trade reflects the relaxation of tensions between the two countries. Border trade, which had been frozen since the 1960's, has resumed. Furthermore, the two countries formalized the resumption of commercial relations with a trade pact signed in 1985 that called for a trade volume of between \$17 billion and \$18 billion between 1985 and 1990 and Soviet assistance in upgrading 17 major industrial plants, including some of China's most important industrial sites—the Anshan, Baotou and Wuhan steel mills, and the showcase Louyang tractor factory. The two econ-

omies are complementary — China exports agricultural commodities and light manufactures and the Soviet Union exports industrial machinery and chemicals; and goods that might not find a market in the quality-conscious West find ready acceptance throughout the Communist bloc. In addition, Soviet and Chinese trade practices match. Both are experienced at foreign exchange-saving countertrade—barter, coproduction and buy-backs. Official commentary from both sides sees countertrade as a support for the economic relationship.

In other words, the growth of Sino-Soviet trade makes sense; the two countries have long experience with each other, their technologies and trade practices are compatible, and there are reciprocal markets. Indeed, the Soviet goods may be markedly inferior and may still be desirable in China because of countertrade and/or price, especially if they fulfill Chinese priorities. For instance, the Civil Aviation Administration of China (CAAC) recently acquired 17 Tu-154 aircraft, the Soviet version of the Boeing 727. The planes are not fuel-efficient, their engines need maintenance at relatively short intervals, and their design and balance are such that passengers must be seated in the forward compartments before they can enter the aft sections of the aircraft. But, as a CAAC official commented, the planes "are competitive in China because they are cheap. The price is about a third less than that on the international market."<sup>14</sup>

Yet in fact it would seem that the Soviet Union's role in China's trade is more of a challenge to Western traders to meet China's demands and priorities than it is a threat to their immediate position. The Soviet Union will probably continue to increase its trade with China, but these gains may well come either in niches that China's other partners cannot or will not fill—such as the border trade—or as a competitor to countertrade deals for equipment that China might prefer to obtain from the West if the foreign exchange were available.

Is the growth in Sino-Soviet trade a precursor to further improved political relations? As the two countries go further down their own roads to reform, future growth can be expected. And as the Soviet Union withdraws from Afghanistan and makes concessions along the Sino-Soviet border, the thaw will continue. Trade can symbolize a bet-

(Continued on page 272)

<sup>13</sup>These statistics calculated from IMF, *Direction of Trade Statistics*, and James T.H. Tsao, *China's Development Strategies and Foreign Trade* (Lexington, Mass.: Lexington Books, 1987).

<sup>14</sup>Quoted in *China Daily Report*, FBIS, October 20, 1987, pp. 1-2. See also Louise do Rosario, "Recovering Lost Time," *Far Eastern Economic Review*, January 12, 1987. For a fuller discussion of aviation issues in China, see the series "Aviation in China," by R. G. O'Loone, beginning in the November 16, 1987, issue of *Aviation Week & Space Technology*.

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*"The imperatives of China's reform policy appear increasingly to be dictating the pattern of dissent and tolerance that marks the changing relationship between the [Chinese Communist] party and China's social forces. . . . [But] in the final analysis, intellectuals are always subject to the will and whim of party bureaucrats."*

# Dissent and Tolerance in Chinese Society

BY STANLEY ROSEN

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ON March 30, 1979, several months after China's de facto leader Deng Xiaoping had scored a major victory over his political and ideological opponents at the third plenum of the eleventh Central Committee, Deng sought to define the boundary between acceptable and unacceptable behavior, setting strict standards beyond which dissent would not be tolerated. There could be no debate on the "Four Cardinal Principles," which included adherence to socialism; the dictatorship of the proletariat; rule by the Chinese Communist party (CCP); and Marxism-Leninism and Mao Zedong thought.<sup>1</sup>

Virtually concurrent with Deng's speech, the authorities began a crackdown on the most visible and open form of dissent—the "democracy walls" that had appeared in Beijing and other cities and that had played a positive role earlier in Deng's ascension to power. The Four Principles—ambiguous enough to require constant redefinition—have remained as constraints, to be marshaled against those unwilling to exercise appropriate self-censorship, whose views deviate too far from the current political orthodoxy.

Since 1979, a series of ideological campaigns have sought to enforce these general standards, with Deng himself initiating each phase of ideological retrenchment. Despite periodic attempts to control "spiritual pollution" (the focus of the 1983-1984 campaign) and "bourgeois liberalization" (the focus in the first five months of 1987), dissent has not disappeared. On the contrary, a number of China's leading intellectuals have argued that these campaigns have commonly produced an effect diametrically opposed to the effect intended:

<sup>1</sup>"Uphold the Four Cardinal Principles," in *Selected Works of Deng Xiaoping (1975-1982)* (Beijing: Foreign Languages Press, 1984), pp. 166-191.

<sup>2</sup>Liu Binyan, "Combat Liberalism: The More You Combat It, the More There Is," in *Pai Hsing* (Hong Kong), April 16, 1988, pp. 6-8.

<sup>3</sup>"Major Points of Comrade Teng Hsiao-ping's Remarks Concerning the Current Student Unrest," *Issues and Studies*, July, 1987, p. 149.

their very unpopularity has succeeded ultimately in extending, not confining, the limits of tolerance.<sup>2</sup>

Although official toleration of unorthodox views has waxed and waned over the past decade, enormous changes, which appear to be irreversible, have taken place in the pattern of dissent. The most startling and important change has been what might be called "internationalization." In every area covered in this essay—the press, culture, and students—the outside world has had an important impact on internal developments.

## DISSENTERS

Equally striking and closely related to the emergence of internationalization has been the rise of prominent intellectuals as "dissenters," in a sense the "Sovietization" of dissent. Until relatively recently, China's most conspicuous post-Mao dissenters were the "democracy activists," many of whom were ordinary workers who had been Red Guards during the Cultural Revolution. Arrested between 1979 and 1981 and generally sentenced to long prison terms, individuals like these have completely disappeared, with virtually no mention of them in either the Chinese or the Western press. Indeed, as he ordered the crackdown on the December, 1986, student demonstrations and the expulsion of three leading intellectuals from the party, Deng was correct in remarking to his colleagues that the 1979 arrest and continuing incarceration of Wei Jingsheng—the most famous of the democracy activists—"had not tarnished" China's image abroad.<sup>3</sup>

By contrast, consider the case of astrophysicist Fang Lizhi, the former vice president of the Chinese University of Science and Technology, who was expelled from the CCP in January, 1987, for his role in encouraging the student demonstrations. Fang has given a series of outspoken interviews with Western and Hong Kong journalists, suggesting that Marxism has reached the end of its useful life in China, that the CCP has achieved nothing of value over the past 30 years, that the changes at the thirteenth party congress in October, 1987, may not have been significant, and that his own recent well-



publicized "promotion" was mere "propaganda."<sup>4</sup> Having already spent considerable time doing research at prominent Western universities, Fang has recently received invitations from Cambridge and various American institutions to be a visiting scholar. In addition, Fang has been the subject of a cover story in *The Atlantic*, and his collected speeches have been published in Hong Kong and Taiwan.

Despite such outspokenness, Fang's status as one of China's very few world-class scientists—often dubbed "China's Sakharov" in the West—has compelled the party to handle him with care. Official publications have continued to interview him, to demonstrate how well he is getting on. When NBC's Tom Brokaw interviewed the then Prime Minister and acting party General Secretary, Zhao Ziyang, in 1987, Zhao was at pains to emphasize that Fang was still "respected" as a scientist and intellectual and that he would continue to "play his role in scientific and technological areas."<sup>5</sup> While the party monitors Fang's activities closely, repeatedly warning him against speaking on nonscientific subjects, his infrequent public appearances always seem embarrassing. In 1988, on the anniversary of the 1919 May Fourth Movement, he made a surprise appearance at Beijing University to speak on issues of freedom and democracy. His unannounced talk and freewheeling debate attracted 500 enthusiastic students. By contrast, an appearance by State Councillor Li Tieying and other senior party officials earlier that day had reportedly elicited boos from students dissatisfied with China's meager education budget.<sup>6</sup>

Liu Binyan, China's most famous investigative journalist, also lost his party membership in January, 1987. He spent the spring of 1988 teaching at the University of California at Los Angeles, will become a prestigious Nieman Fellow at Harvard University in September, 1988, and has reportedly been offered a lucrative book contract with an American publisher for his autobiography.

The embrace of Fang and Liu by the Western press and intelligentsia, who have had a long-standing love affair with Communist-bloc intellectuals who suffer persecution for forcefully advocating free speech and democracy, is noteworthy. At a min-

<sup>4</sup>*The New York Times*, February 11, 1988; *Far Eastern Economic Review*, October 22, 1987, pp. 52–55; *Cheng Ming*, July 1, 1987, in Joint Publication Research Service, August 26, 1987, pp. 46–67.

<sup>5</sup>Orville Schell, "China's Andrei Sakharov," *The Atlantic*, May, 1988, pp. 35–52.

<sup>6</sup>*Hong Kong Standard* and other newspapers, May 5, 1988, Foreign Broadcast Information Service—China (hereafter FBIS), May 5, 1988, pp. 19–22; *Cheng Ming*, June, 1988, pp. 6–9.

<sup>7</sup>Li Yi, "Another Interview with Liu Binyan," *Jiushi niandai*, May, 1988, p. 17.

imum, it has helped bring to the surface some inherent contradictions, as the party tries simultaneously to promote extensive economic and political reform while upholding the Four Cardinal Principles. At a less visible level, these contradictions permeate Chinese social life. In the wake of the liberalizing tendencies released since the thirteenth party congress, the role of the party-state and its relationship to the society it governs have become major topics for open debate. Zhao Ziyang has noted—and approved—the existence of "different interest groups," which the government must consult in the formulation and implementation of policy. Occupational associations have been outspoken in their criticisms of the arbitrary party interference that hinders their professional work and have asked for greater legal protection. Arguably, the outcome of these discussions on professionalization is even more important in the long term than the party's tolerance for the activities of a superstar international scientist. Examples of the parameters of the current debate can be found in journalism and film, two fields in which the party-professional relationship has often been strained.

## JOURNALISM

The functions of the press and the rights of journalists in a socialist society have been hotly contested issues in post-Mao China; the debate centers on the supervisory and critical role the press should play. Lack of agreement on this question has delayed the passage of a press law and has contributed to a pattern of press freedom that closely mirrors shifts in the political wind. For example, in 1980, when delegates to the National People's Congress (NPC) were engaging in unprecedentedly lively debates, the press reported on a variety of scandals involving government officials. Outraged by such criticism, which openly named offending officials, in 1981 some of China's senior leaders took advantage of an antiliberalization campaign against writer Bai Hua to push through new regulations—including a provision that the individual being criticized had to agree to the criticism—making it virtually impossible for the press to continue investigative reporting.<sup>7</sup>

Attempts to draft and approve a press law date from 1980, when representatives from journalistic circles at the NPC and the Chinese People's Political Consultative Conference (CPPCC) first raised the issue. Serious discussion began only in 1984, however, after the campaign against "spiritual pollution" had run its course. Hu Jiwei, former director of *People's Daily*—ironically, he had been removed during the anti-spiritual pollution campaign—and concurrently the head of the All-China Journalists Association, was put in charge of the in-

itial work. His efforts were virtually halted early in 1985 when General Secretary Hu Yaobang presented a speech to a Central Committee meeting noting that, regardless of any reforms, the press was a mere “mouthpiece,” and must reflect the views of the party and the government.

In the more open political atmosphere of mid-1986, there were renewed calls for a relaxation of media controls, and Hu Jiwei again became active in soliciting opinions for the press law draft, with the hope that the final draft could reach the NPC by 1988.<sup>8</sup> However, political forces once again intervened. In the course of the campaign against bourgeois liberalization in the first half of 1987, a watchdog organization, the Press and Publications Bureau, was established, headed by Du Daozheng, a newspaperman with close ties to China’s more conservative leadership. After China’s newspapers and periodicals were re-registered, 594 (11.2 percent of those “examined”) were compelled to cease publication, although authorities claimed that only 5 were ordered to stop because they “propagated bourgeois liberalization and committed other serious mistakes.” Under a new set of internal rules, “sensitive” issues (e.g., political reform and controversial financial reforms) were not to be discussed in the mass media.

China’s hardliners pushed through Central Directives No. 10 and No. 11 (1987) in an attempt to banish liberal opinion from the media. The directives noted the importance of “anti-Communist” publications in Hong Kong and elsewhere that “have special access to information.” Chinese journalists were warned not to “use overseas influence to exert pressure on the party” and not to “pass information to or write articles for reactionary (overseas) publications.” Not surprisingly, the conservative head of the standing committee of the NPC, Peng Zhen, dissolved Hu Jiwei’s subcommittee on the press law.<sup>9</sup>

By early 1988, in the wake of Zhao Ziyang’s support at the thirteenth party congress, the press law was again in the news. Although at least three preliminary drafts exist, the key debate—with Hu Jiwei on one side and Du Daozheng on the other—concerns freedom and restraint. Hu strongly emphasizes “protecting the freedom of the press”; Du stresses press freedom as “a two-edged sword,”

which would define the rights of journalists but would also “ensure that journalists do not abuse their privileges.” While Hu speaks of a party and government under press “supervision,” with “the right to supervise the same as the right to criticize,” Du notes that serious “mistakes” committed by party members are best reported in internal, closed-circulation newspapers first, “just in case there are mistakes in the investigation.”

Given such contention, the press law—currently being drafted by a team of 14, representing nine different party and government departments—appears to be years away. Indeed, many journalists are concerned that any press law approved by this group might mean more control and less freedom. Still, the intense public and internal debate on the issue is refreshing, and there are reports that the Media and Publications Office—called “the censors’ headquarters” by liberals—may soon disappear.<sup>10</sup>

While the Chinese press still fell short of the Soviet Union’s glasnost-influenced press in terms of open media debate, by mid-1988 Chinese newspapers had almost returned to the days of autumn 1986, when the most liberal newspapers, like Shanghai’s *World Economic Herald*, were proposing a Chinese freedom of information act and discussing the direct election of senior state leaders. Even staid sources like the Xinhua News Agency have been carrying negative accounts of the effects of inflation on daily life. Some newspaper editors have been openly critical—and specific—about the country’s restrictive news policies.

For example, one editor, speaking at a forum on the news media, was highly critical of the Beijing leadership’s attempt to cover up the Daya Bay nuclear plant scandal in September, 1987. At a time when the plant’s construction problems were common knowledge in Hong Kong, a “certain vice premier”—almost surely Prime Minister Li Peng—virtually ordered mainland newspapers to carry a success story on the plant. When the mainland papers reached Hong Kong, the credibility of the Communist press, already low, sank further.<sup>11</sup>

In this regard, the revealing results of a recent opinion poll conducted by the Media Research Center of Chinese People’s University has been given wide circulation. Most of the 200 people who were polled are important decision-makers, including Central Committee members, Central Advisory Commission members, and NPC Standing Committee members; 34.8 percent of those polled hold important posts at or above ministerial levels. To the surprise of the pollsters, 62 percent of the respondents expressed a strong critical attitude toward China’s media, a far higher proportion than had been found among the masses. Among the findings: 91.5 percent felt the media did a poor job

<sup>8</sup>*South China Morning Post*, September 2, 1986, in FBIS, September 5, 1986, pp. K9-10; *Jingbao*, March 1988, pp. 30-32.

<sup>9</sup>*Asiaweek*, May 10, 1987, pp. 24-27.

<sup>10</sup>*Asiaweek*, January 22, 1988, p. 21, and February 26, 1988, p. 44; *South China Morning Post*, April 24, 1988, in FBIS, April 25, 1988, pp. 25-26; *Hong Kong Standard*, February 20, 1988, in FBIS, February 22, 1988, pp. 10-11.

<sup>11</sup>*Hong Kong Standard*, March 5, 1988, in FBIS, March 7, 1988, p. 41.

in reflecting the voice of the masses; 75 percent believed that the media failed to take the initiative and to criticize and supervise party and government leadership at all levels; 65 percent believed that a crisis of confidence existed among the masses with regard to media coverage; 34 percent were in favor of "initiating nonparty, nongovernmental socialist large-type dailies," in effect creating a pluralistic press structure that would allow "all citizens freely to air their views."<sup>12</sup>

Some newspapers have been able to be highly innovative and independent while still managing to stay open. The aforementioned *World Economic Herald* is considered an avant-garde, proreformist publication that often pioneers new ideas, not just in economics, but in politics, social life and even foreign policy. For example, a recent article demanded the deletion of Mao Zedong's name from the state constitution. Nominally under the Shanghai Academy of Social Sciences, the newspaper is, in fact, collectively owned, making it less subject to state control. More important has been the protection of Zhao Ziyang. When conservatives targeted the paper for closure in 1987 as "a negative example of bourgeois liberalization," Zhao came to the biweekly's defense, insisting that it had been guilty only of a minor offense and quietly telling the editors that they could continue their editorial line.<sup>13</sup>

Another newspaper that is known for broaching sensitive issues is the *Peasants' Daily*, begun in 1980, which offers one of the few platforms where rural dwellers can state their case. The paper receives as many letters as *People's Daily*—1,000 letters a day—and publishes representative "complaints by farmers against ill-treatment by local tyrants," often to the outrage of local officials. With an editorial philosophy advocating almost anything that will help the farmers get rich—it is currently lobbying Beijing to allow farmers to own the land they work—the paper survives as an official publication because it is run by the rural policy research centers of the party and the government, both known to be strongly liberal.<sup>14</sup>

One might contrast these examples with two of the publications that were forced to shut down in 1987 and 1988. The most widely publicized case in

1987 involved the *Shenzhen Youth News*, which had a record of publishing the views of China's best known freethinkers, including most of the intellectuals forced to leave the party in 1987. One story even called for Deng Xiaoping's resignation. Although officially the paper was the organ of the municipality's Communist Youth League office, control over the paper's editorial line was exercised by several editors with little outside influence and, of crucial importance, no backstage support. As Liu Binyan put it, if Ren Zhongyi were still the provincial party secretary in Guangdong, they probably would just have had to make a self-criticism instead of being compelled to close down.<sup>15</sup>

The swing toward liberalization in 1988 has already claimed a victim from the other side of the ideological spectrum. Despite intense lobbying from conservatives that delayed the inevitable for 18 months, *Red Flag*, the "venerable" theoretical journal of the CCP for 30 years, closed in June, 1988, and was replaced by *Seeking Truth (Qiu Shi)*, which has a mandate to focus on economic reform and political democratization. This is part of a larger shakeup in propaganda circles, which has seen the resignation of several key ideologues whose influence had soared in the wake of the anti-bourgeois liberalization campaign.<sup>16</sup>

## VISUAL ARTS: THE CASE OF FILM

Given their potential as propaganda, the visual arts and literature have generally been the first to feel the effects of shifts in the political wind. Still, the same trends visible in other areas—e.g., internationalization, the debate over the party's role—have had a strong impact on films as well. On the one hand, there has been a renaissance, with Chinese films garnering coveted international prizes; in February, 1988, *Red Sorghum* captured first prize at the Berlin Film Festival. As *The Economist* (London) noted in 1987, "over the past three years, more good movies have come from China than from any other country."<sup>17</sup>

On the other hand, party interference often remains heavy-handed. The post-Cultural Revolution generation of filmmakers—known as the "Fifth Generation"—were able to study freely the works of directors like Truffaut, Antonioni and Fassbinder during their four-year course at the Beijing Film Academy; so it is perhaps not surprising that some

(Continued on page 278)

<sup>12</sup>Liaowang Overseas Edition, April 18, 1988, in FBIS, April 25, 1988, pp. 22-25; Renmin ribao, March 4, 1988, in FBIS, March 7, 1988, pp. 39-40.

<sup>13</sup>Asiaweek, February 26, 1988, p. 44, and May 10, 1987, p. 27.

<sup>14</sup>Asiaweek, April 1, 1988, p. 39.

<sup>15</sup>Liu Binyan interview, Jiushi niandai, May 1988, p. 29.

<sup>16</sup>Xinhua News Agency, May 11, 1988, in FBIS, May 12, 1988, p. 21; Hong Kong Standard, February 10, 1988, in FBIS, February 10, 1988, pp. 11-12.

<sup>17</sup>The Economist (London), July 4, 1987, p. 87.

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*"Since China undertook legal reform in 1979, significant progress has been made in improving the system of criminal justice. . . . [However,] individuals under detention or imprisonment are still mistreated. . . . Thus China has a long way to go to establish a criminal justice system that will meet minimum international standards."*

# China's Changing Criminal Justice System

BY HUNGDAH CHIU

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SINCE the late 1970's, China's legal system has been characterized by some improvements, but setbacks have clarified the limits of the rule of law under the Chinese system. Moreover, China has published or made available to the general public significantly more legal materials, so one is in a better position today to understand the operation of the Chinese legal system.

The 1982 constitution grants citizens many civil rights and freedoms, but in general no legislation implements these rights.<sup>1</sup> China has apparently begun to fill these gaps. For instance, Article 40 of the constitution guarantees the "freedoms and privacy of correspondence." On December 2, 1986, China promulgated the Postal Service Law, which guarantees the right of privacy in written communications and prohibits tampering with the mail except as permitted by law. Penal sanctions, fines or detention may be imposed on violators.

Improved economic conditions in China have given Chinese citizens the right of freedom of movement, which is not recognized by the constitution. Both in law and in practice, Chinese citizens need a written letter of introduction from their work institution in order to secure hotel accommodations, and they must acquire ration coupons for the purchase of basic food items in areas outside their places of residence. If they stay with their relatives, they are required to register with local police. Today, many Chinese do not comply with these rules simply because they can procure food from free markets and thus do not need food coupons.

While Chinese citizens have limited freedom of movement, they cannot freely change their residence or workplace. The constitution does not recognize freedom of residence. The government nor-

mally grants permission to move one's residence to another locality only to accommodate a change in employment; this, however, requires the approval of the person's work unit. In this connection, the Chinese perception of citizens' rights is different from that of the West. Any rights that are not recognized by the constitution can be restricted at the discretion of the government.

There is no procedure that allows citizens to challenge the constitutionality of a law or administrative decree promulgated by the authorities. The standing committee of the National People's Congress (NPC), which is entrusted with the interpretation of the constitution and laws (Article 67, paragraphs 1 and 4), has not exercised this function since the promulgation of the constitution in late 1982. In fact, all laws enacted by the NPC (which also is entrusted with the function of amending the constitution) or enacted by its standing committee are considered constitutional. All administrative regulations or decrees issued by the government are considered consistent with the law. Moreover, until recently, individual decisions or sanctions decided by the government were considered legal, and there is no legal procedure to challenge such decisions or sanctions in court. Recently, this practice began to change. Until January, 1987, 28 laws and 53 administrative regulations provided for judicial review of decisions or sanctions imposed by administrative agencies. On a trial basis, some courts have established administrative law tribunals to handle such cases.<sup>2</sup>

## THE CRIME SITUATION

During the Maoist period, Chinese society was tightly controlled by the government and the party. Thus, China was able to maintain a low crime rate — 0.03 percent in 1956 and in 1965. With the limited liberalization of Chinese society in the post-Mao period, the crime rate jumped significantly. In 1981, it was almost 0.09 percent and in 1982, 0.07 percent.<sup>3</sup> To combat this increase, China launched its anticrime campaign in 1981. During this cam-

<sup>1</sup>See Hungdah Chiu, "The 1982 Chinese Constitution and the Rule of Law," *Review of Socialist Law*, vol. 11 (1985), pp. 143-160.

<sup>2</sup>See *Renmin ribao* (People's Daily), February 10, 1987, p. 4.

<sup>3</sup>Report of the Work of the Supreme People's Court to the Fifth Meeting of the Sixth National People's Congress, April 6, 1987, *Zuigao Renmin Fayuan Gongbao* (Gazette of the Supreme People's Court), no. 2 (June 20, 1987), p. 4.

TABLE 1:  
Suspects Arrested with the  
Approval of the Procuracy

Type of Charge	Number of Arrests
Counterrevolution	620
Endangering Public Security	10,861
Undermining the Socialist Economic Order	7,965
Infringing on the Rights of the Person and the Democratic Rights of Citizens	75,958
Property Violations	217,692
Disrupting the Order of Social Administration	34,353
Disrupting Marriage and the Family	1,014
Dereliction of Duty	6,066
Other	1,074

paign, procedural guarantees provided in the 1979 Criminal Procedure Law were usually ignored in sentencing criminals. This campaign continued into 1987, but in a less intensive way. It was estimated that between 7,000 and 14,000 persons were executed between 1983 and 1986.<sup>4</sup> In 1986, the crime rate was 0.052 percent. However, in April, 1988, the Public Security ministry revealed that in 1987 serious crimes increased 25 percent over 1986.<sup>5</sup>

With respect to the types of offenses committed, the Chinese procuracy revealed that it approved the arrest of 355,603 suspects on various charges in 1986, as indicated in Table 1.<sup>6</sup>

In view of China's large population, the total number of suspects arrested is low by Western standards. However, one must realize that Chinese police can subject a person to reeducation through labor; i.e., detention in a forced labor camp for up to four years without judicial review. Many minor offenders, potential troublemakers or political dissidents are handled in this manner. Therefore, the actual number of individuals who lost their "freedoms," although not considered official "arrests" under Chinese law, may be much higher.

The 1979 Criminal Procedure Law provides in Article 32 that "the use of torture to coerce state-

ments and the gathering of evidence by threat, enticement, deceit or other unlawful methods are strictly prohibited." Despite this official prohibition, the torture and ill-treatment of prisoners is a persistent and widespread problem in China. A recent Amnesty International study, which was based primarily on published Chinese sources, found that "most torture victims are criminal suspects who are tortured to force them to confess" and "their torturers are usually police officers, or Communist party officials and members of the many informal security units who illegally detain individuals they suspect of committing crimes."<sup>7</sup>

The most common methods of torture described in the Chinese press are severe beatings, usually with the victim bound or handcuffed; suspension by the arms; assault with instruments like electric batons; whipping or striking victims with various objects; unspecified forms of humiliating or degrading treatment; and round-the-clock interrogation.<sup>8</sup> Not only is torture frequently used to extract confession, but suspects are usually detained under intolerable conditions.

Article 136 of the 1979 Criminal Procedure Law provides punishment for the use of "torture to coerce a statement." Although the Chinese press often reports that officials found guilty of torture have been punished, the punishments are usually lenient. For example, Huang Chongfu, a deputy party secretary of a town in Hunan province, who had "frequently bound and beaten" nine innocent people between August and September, 1983, was sentenced to one year in prison (with sentence suspended for one year), after the victims persistently pursued their complaint.<sup>9</sup>

Official efforts to stop torture have focused on the work of the procuracies. Since 1986, the procuracies have been instructed to give high priority to the investigation of cases of torture and other abuses by officials. In many cases, local Communist party officials have obstructed investigations. Some local people's congresses have also paid attention to the torture problem by issuing instructions to the procuracies or by investigating torture cases themselves. It is not clear whether these measures are effective in dealing with the torture situation.

Once a case is referred to the procuracy by the public security (police), it will probably be prosecuted, as illustrated by Table 2.<sup>10</sup>

The charge of dereliction of duty is reserved for government officials who usually have good connections within the party and with procuratorial or judicial officials and who thus are not prosecuted. More than 40 percent of the cases referred to the procuracy were dismissed.

Once a suspect is prosecuted, his or her conviction is almost certain. In the April 6, 1987, report of

<sup>4</sup>"China," in *Country Report on Human Rights Practices in 1987* (Washington, D.C.: U.S. Government Printing Office, 1988). Another source indicates that the number of people executed may have been as high as 20,000. See "By Laws or By Cadres?" *The Economist* February 6, 1988, p. 34.

<sup>5</sup>*Zhong bao* (Central Daily, New York), April 23, 1988, p. 15.

<sup>6</sup>*Zhongguo Falu Nianjian, 1987* (Law Yearbook of China, 1987) (Beijing: Law Press, 1987).

<sup>7</sup>*China, Torture and Ill-treatment of Prisoners* (London: Amnesty International Publications, September, 1987).

<sup>8</sup>*Ibid.*, p. 9.

<sup>9</sup>*Ibid.*, p. 42.

<sup>10</sup>*Law Yearbook of China, 1987*, pp. 884-885.

the Supreme People's Court to the National People's Congress, it was revealed that only 0.7 per cent of the suspects prosecuted were found innocent. The reason for this high conviction rate is that the 1979 Criminal Procedure Law refused to adopt the principle of "presumption of innocence" in criminal trials that is provided for in Article 11 of the 1948 Universal Declaration of Human Rights and in Article 14(2) of the 1966 International Covenant of Civil and Political Rights.

In practice, most Chinese trials are sentencing hearings at which the defense lawyers or representatives plead for leniency for their clients; with few exceptions, they do not contest the charges. Courts usually assume the guilt of any person brought to trial. Defendants may appeal both verdicts and sentences to the next highest court. Appeals have resulted in both stiffer and reduced sentences for the accused. In 1986, there were 299,720 criminal cases in the courts of first instance (basic people's courts or intermediate people's courts, for more serious cases) and 49,822 appeal cases in the courts of second instance (intermediate people's courts or higher people's courts, for more serious cases).<sup>11</sup> Although China has four court levels, the system allows only one appeal. Moreover, an accused can appeal to the Supreme People's Court only in a few exceptional cases, like certain death sentences.

The Chinese judiciary is nominally independent, but in practice it is controlled by the Chinese Communist party. There is no legal sanction against a party committee's interference with judicial independence. Recently, a party committee in the county of Henan ordered the court there to sentence an innocent person to imprisonment. When the president of the court refused the request, he was dismissed and the party committee appointed an acting president to render the decision. On appeal, the case was reversed. No sanction was imposed on the county party committee except that it "accepted the reprimand" of its superior organ.<sup>12</sup>

## POLITICAL DISSIDENTS

There are no reliable figures for the number of political prisoners in China. However, compared to the Maoist period, the number of political prisoners has been reduced significantly. China denies that it

**TABLE 2:**  
1986 Statistics on Cases Dismissed  
and Prosecuted by the Procuracy

Type of Charge	Cases Dismissed	Cases Prosecuted
Counterrevolution	20	368
Endangering Public Security	1,482	10,304
Undermining the Socialist Economic Order	2,447	5,647
Infringing on the Rights of the Person and the Democratic Rights of Citizens	3,720	67,304
Property Violations	17,262	143,273
Disrupting the Order of Social Administration	1,966	22,070
Disrupting Marriage and the Family	158	1,170
Dereliction of Duty	4,102	5,862
Other	229	1,221

has any political prisoners and insists that it imprisons only criminals and "counterrevolutionaries." The latter category includes those regarded as political prisoners by the West. In 1986, Chinese statistics revealed that China arrested only 620 persons on "counterrevolutionary" charges; of these, 20 cases were dismissed and 368 cases were prosecuted.<sup>13</sup> It is not clear how many persons were involved; a single case may involve several persons.

When a person is arrested on political charges, the procedure prescribed by law is usually disregarded. The case of Yang Wei illustrates this point. On January 10, 1987, Yang, who had returned from the United States after three years of study at the University of Arizona, was "detained" by the police in Shanghai on unspecified charges. No detention notice was sent to his family until May 15, 1987.<sup>14</sup> On January 19, 1987, his detention was converted into an "arrest." No arrest warrant was issued in accordance with Article 50 of the Criminal Procedure Law. On November 7, 1987, a public prosecution for counterrevolution was filed against Yang. According to Article 92 of the 1979 Criminal Procedure Law, the maximum detention period for a suspect is three months, unless the standing committee of the National People's Congress (NPC) approves the extension of detention. Yang was detained for almost 10 months before he was indicted. There was no indication of approval of his extended detention by the NPC's standing committee. On December 21, 1987, a court sentenced Yang to two years' imprisonment for inciting unrest and spreading propaganda for the New York-based Chinese Alliance for Democracy during student

<sup>11</sup>*Law Yearbook of China, 1987*, p. 883.

<sup>12</sup>This case is summarized in Liu Ningshu, "The Highest Value of the Legal System Is the Full Implementation of the Constitution," in *Shanghai Fazhi bao* (Shanghai Legal System Paper), December 8, 1986, p. 6.

<sup>13</sup>*Law Yearbook of China, 1987*, pp. 884, 885.

<sup>14</sup>A photocopy of the detention notice is available at the University of Maryland Law School, East Asian Legal Studies Library. At the right bottom corner, the notice stated that it was issued on May 15, 1987, although the official date of the notice is January 10, 1987.



demonstrations and protests in Shanghai in late December, 1986, and early 1987.<sup>15</sup>

Despite the claim of Chinese authorities that Yang's trial was "open," no advance announcement was made with respect to the trial date as required by Article 110 of the Criminal Procedure Law. As a result, Yang's family and friends were unable to attend the trial, while the Chinese government provided 100 or so other individuals to compose an audience to watch the trial.

The indictment charged that Yang advocated that the "absolute authority of the Chinese Communist party and its 'Four Basic Principles' [the socialist road, the People's Democratic Dictatorship, the leadership of the Communist party, and Marxism-Leninism-Mao Zedong thought]" should be challenged and that he also advocated the "democratic coup d'état [i.e., promoting democracy through peaceful means]." Moreover, Yang was charged with providing student demonstration information to the Chinese Alliance for Democracy, with attempting to smuggle *China Spring*, a publication of the alliance, to China, and with inciting students to demonstrate and to protest. The court found that Yang "[was] deliberately engaged in antirevolutionary propaganda/inciting activities."

## TIBET

The most severe persecution of political dissidents in China now is occurring in Tibet. Although Tibet became part of China in 1750, before 1950 no Chinese government ever imposed the Chinese law, government, language and writing system on Tibet, and Tibet enjoyed virtually complete internal autonomy. In 1951, however, China sent military forces to occupy Tibet, although in an agreement concluded on May 27, 1951, China promised to respect Tibet's status quo. China soon violated its commitment, and a rebellion broke out in Tibet in 1959. The rebellion was suppressed ruthlessly by Chinese forces, who massacred thousands of Tibetans and placed Tibet under military rule. During the 1966-1976 Cultural Revolution period, virtually every temple and monastery in Tibet was closed, damaged or destroyed by the Chinese

authorities; thousands of Tibetan monks were imprisoned, and many other Tibetans were also persecuted, killed or imprisoned.

After the death of Mao Zedong in 1976, Chinese policy toward Tibet began to change, and since 1979, the Chinese government has tried to repair some of the damage done to Tibet during two decades of repression. Several monasteries are being rebuilt; and funds have been allocated for roads and hydroelectric projects. The government has stressed its commitment to preserve Tibet's unique cultural, linguistic and religious tradition, in an effort to strengthen social stability.

However, despite a more liberal policy, the government does not want to grant genuine autonomous self-government to Tibet and has tightly controlled political life there. In September, 1987, anti-Chinese Communist riots in Tibet were once again suppressed ruthlessly. An unspecified number of Tibetans were arrested and killed; China has released no information on the treatment of those under detention.<sup>16</sup> China has also closed Tibet to Western reporters and visitors.

## ADMINISTRATIVE SANCTIONS

Three types of administrative sanctions deal with politically or socially deviant individuals. The first involves the enforcement of the Security Administration Punishment Act, which was formalized in 1957, whereby the police can issue a warning, impose modest fines and detain an individual for up to 15 days. Until the revision of this law in 1986, there was no judicial review of a police decision, and the 1957 act allows the police to use the principle of "analogy" to impose a sanction not specifically provided for in the act. The 1986 revision removes the analogy provision and subjects police decisions to judicial review. On March 16, 1987, China reported the first case of an adverse judicial overrule of a police decision involving sanctions. Some people subjected to such detention had reportedly been ill-treated or tortured.<sup>17</sup>

The second type of administrative sanction is re-education through labor, formalized in the 1957 State Council's Decision on Reeducation through Labor. The decision authorizes the police and civil administrative organs to send a wide range of offenders to special camps to work and reeducate themselves. The offenders include people who have no decent occupation, who behave like hoodlums,

(Continued on page 271)

<sup>15</sup>"Student Found Guilty," *Beijing Review*, vol. 30, no. 52 (December 28, 1987), pp. 12-13; English translation of the complete text of the judgment may be found in "Court Verdict on Yang Wei," *China Spring Digest*, vol. 2, no. 1 (January/February, 1988), pp. 11-12.

<sup>16</sup>A French source reported that at least 50 Tibetans were killed by Chinese police. See Agence-France Dispatch from London, May 8, 1988, reported in *Shijie ribao* (World Journal, New York), May 9, 1988, p. 1. At least 200 and possibly as many as 1,200 Tibetans remain in detention, a U.S. State Department official said on April 18, 1988. See *The Sun* (Baltimore), April 19, 1988, p. 4A.

<sup>17</sup>*China, Torture and Ill-treatment*, p. 22.

Hungdah Chiu has published widely in the field of Chinese law. His most recent book, coauthored with Shao-chuan Leng, is *Criminal Justice in Post-Mao China: Analysis and Documents* (Albany: State University of New York Press, 1985).

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# BOOK REVIEWS

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## ON CHINA

**U.S.-CHINA TRADE.** Edited by Eugene K. Lawson. (New York: Praeger Publishers, 1988. 352 pages, bibliography and index, \$49.95, cloth.)

This collection of articles covers the development of and prospects for Chinese trade. The introduction deals with the problems of Sino-American trade, while the other chapters detail various topics of importance, like China's evolving bilateral and multilateral trade, the impact of changes in the political and legal systems, and the perils and benefits of doing business with the Chinese.

*U.S.-China Trade* presents a thorough and comprehensive review. Among the specific issues discussed are the nature of China's growing role in the world marketplace; the bureaucratic constraints on trade and investment; successful business negotiation tactics; and the future of Sino-American trade. *U.S.-China Trade* is a valuable source of information for anyone interested in trade with China.

R. Scott Bomboy

**HUMAN RIGHTS IN THE PEOPLE'S REPUBLIC OF CHINA.** By Yuan-li Wu et al. (Boulder: Westview Press, 1988. 332 pages, appendixes and index, \$35.00, cloth.)

Another comprehensive survey of an important issue in contemporary Chinese society—human rights—is contained in this collection from the Westview Special Studies series on China and East Asia. Authors Yuan-li Wu, Franz Michael, John F. Copper, Ta-ling Lee, Maria Hsia Chang and A. James Gregor cover a wide range of topics.

In the first part of the book, the evolution of the concept of "human rights" in China and the network of controls over Chinese society are discussed. The book's second section reviews the changes in the legal, political, economic and ideological systems in China from 1949 to 1984, and how these changes have affected Chinese human rights.

The third section presents a discussion of victim groups like counterrevolutionaries, intellectuals, farmers, business people and workers; this section also contains two recountings of the terror of the Red Guards during the Cultural Revolution. The book's concluding section analyzes the record and lists a group of indicators of possible progress in human rights.

*Human Rights in the People's Republic of China* is

enhanced by tables, which contain statistical information on the legal disposition of human rights victims, and the appendixes, which contain a statistical analysis of Chinese judicial practices and the text of the 1979 Chinese Declaration of Human Rights.

R.S.B.

**CHINA'S POLITICAL REFORMS: AN INTERIM REPORT.** By Benedict Stavis. (New York: Praeger Publishers, 1988. 158 pages, bibliography and index, \$35.95, cloth.)

Benedict Stavis taught at Fudan University in Shanghai in the fall of 1986, and much of his insight into the Chinese political system is based on personal observations. In *China's Political Reforms*, Stavis discusses the reasons behind the political reform movement in China. He believes that China is at a "historical crossroads" and is optimistic about the long-term effects of reform on China's political structure. But Stavis balances his coverage of the reformers with ample consideration of the antireform, conservative elements in Chinese politics.

While most of *China's Political Reforms* deals with the nature of political reform and the obstacles to reform, the final chapters on the student demonstrations of December, 1986-January, 1987, and the ensuing conservative backlash are informative. In addition to background information, Stavis presents a detailed account of the protests, based on discussions with the participants and including a chronology. The chapter on the conservative backlash analyzes the role of the student protests in the ouster of General Secretary Hu Yaobang.

R.S.B.

**HONG KONG: A CHINESE AND INTERNATIONAL CONCERN.** Edited by Jürgen Domes and Yu-ming Shaw. (Boulder: Westview Press, 1988. 279 pages, bibliography and index, \$29.95, paper.)

**CHANGES AND CONTINUITIES IN CHINESE COMMUNISM: VOLUME I: IDEOLOGY, POLITICS AND FOREIGN POLICY.** Edited by Yu-ming Shaw. (Boulder: Westview Press, 1988. 414 pages, \$30.00, paper.)

These two collections are among the latest books in the Westview Special Studies series on China and East Asia. *Hong Kong: A Chinese and International Concern* addresses the implications of the Hong Kong Agreement of 1984.

(Continued on page 275)

## SINO-AMERICAN RELATIONS

*(Continued from page 244)*

pons had been transferred to Iran by third parties.<sup>14</sup>

It seems clear that the Chinese did not expect so strong a reaction from the United States and, when confronted with it, concluded that the advantages were outweighed by the costs and that greater coordination was required between the military munitions makers and those responsible for China's foreign policy. Satisfied that the sales had ended, the United States government announced an end to the interruption in high-tech licensing in March, 1988, during a visit to Washington, D.C., by Wu Xueqin, who was, at the time of his visit, serving as China's foreign minister.

In the case of the other arms transfer issue, the shoe is on the other foot. Since the time of normalization and the enactment of the Taiwan Relations Act, China has complained about United States arms transfers to Taiwan. These sales totaled \$720 million in value in 1987, of which about \$500 million were licensed commercial sales and \$220 million were foreign military sales. The United States agreed in 1982 to reduce these sales and has done so each year since; yet China points out that at the current annual rate of reduction it will take more than 35 years to end the sales completely.

Most recently, China's complaint was focused on technology transfer. For some years Taiwan has sought to import advanced weaponry from the United States. Mindful of Beijing's negative reaction to such an arrangement, the Reagan administration denied approval of Taiwan's request. During 1988, however, a deal has been signed allowing for the transfer of the technology that will permit manufacturers on Taiwan to produce some of the weapons in question. The administration, noting that no mention is made of technology transfers in the communiqué on the Taiwan question signed by China and the United States in August, 1982, insists that the deal is not in violation of the communiqué. Beijing's position is that the transfers violate its spirit, if not its letter.<sup>15</sup>

Since the normalization of relations in 1979, it has been the position of the United States that the resolution of differences between Taipei and Bei-

jing is a matter that must be resolved by the two governments themselves. Beijing, noting that the United States has had a special relationship with the government on Taiwan for many years and that, under the Taiwan Relations Act (which Beijing officially denounces as illegitimate interference in China's internal affairs), the United States has continued to sell defensive arms to Taiwan, argues that American influence should be brought to bear to bring Taiwan to the negotiating table over the question of reunification. During the course of the last year, significant movement has occurred in Beijing-Taipei relations, virtually all of it attributable to events on Taiwan and none of it attributable to actions by the United States.

Before his death in January, 1988, Chiang Ching-kuo, President of the Republic of China on Taiwan, took a series of unexpected and unprecedented steps to liberalize his regime, among them granting permission to citizens of Taiwan to visit mainland China, beginning in late 1987. While nominally the regulations are limited to those with relatives still living on the mainland, they have been liberally interpreted, and currently more than 10,000 "Taiwanese compatriots" visit the People's Republic each month.

Simultaneously, economic ties between Taiwan and the mainland have grown significantly. While trade with the PRC is officially illegal, authorities on Taiwan have chosen to ignore the ultimate source or destination of goods transshipped into and out of the mainland via Hong Kong. This indirect trade totaled some \$1.5 billion in 1987 and has continued to grow through the first half of the current year.<sup>16</sup> Indeed, the two economies are logical trading partners, with the mainland able to supply raw materials and Taiwan supplying manufactured goods appropriate for mainland consumers. There is every reason to believe that two-way trade will continue to increase in the years ahead and that direct economic interaction will be permitted soon.

A most interesting development is the opening up of investment to Taiwanese enterprises in joint ventures in the mainland provinces. While regulations still require that this be carried out through investment firms in Hong Kong, the number and value of these projects have increased steadily over the last 18 months. Through them, Taiwanese firms are able to take advantage of the significantly lower cost of labor and some raw materials on the mainland. Ties like these on the part of Taiwanese citizens have the effect of creating a pressure group that is likely to limit the government's policy options in dealing with Beijing.

The effect of these developments has been to re-

*(Continued on page 301)*

<sup>14</sup>*The New York Times*, June 11, 1987, and July 7, 1987.

<sup>15</sup>A statement of the current Chinese position is found in Chen Qimao, "The Taiwan Issue and Sino-U.S. Relations: A PRC View," *Asian Survey*, November, 1987, pp. 1161-1175; Lucian W. Pye, "Taiwan's Development and Its Implications for Beijing and Washington," *Asian Survey*, June, 1986, pp. 611-629.

<sup>16</sup>There is, in addition, direct trade across the Taiwan straits. Since this trade is, from Taipei's point of view, illegal smuggling, exact figures as to its value are unavailable.



## CHINA'S CHANGING LEGAL SYSTEM

(Continued from page 268)

and who engage in theft, swindling and other anti-social conduct; counterrevolutionaries and antisocial reactionaries not subject to criminal prosecution; people who refuse to work or to comply with work assignments or transfer; and troublemakers who refuse to correct themselves despite repeated criticism. Although similar to reform through labor in many aspects, reeducation through labor is a noncriminal punishment not subject to court approval, and those assigned to reeducation are paid a salary according to their work and output. Since the original decision fixed no specific length of time for reeducation, the police could send "undesirable elements" to labor camps for an indefinite period.

In republishing the 1957 decision on November 29, 1979, the NPC standing committee also passed "Supplementary Regulations Concerning Reeducation through Labor" to make some improvements. First, special committees composed of public security, civil affairs and labor officials would be established for provinces, autonomous regions, and large and medium-sized cities to direct and to administer the work of reeducation through labor. The range of "admittance" is confined to those people in large and medium-sized cities who need reeducation through labor.

Second, the duration of reeducation through labor is limited to one to three years and may be extended for another year. Third, after their release, those who have undergone reeducation through labor are not to be discriminated against in employment or schooling. Fourth, the People's Procuratorates shall exercise supervision over organs of reeducation through labor. In addition, the State Council adopted a decision in February, 1980, to curb the use of such administrative methods as "forced labor" and "taking in for investigation," consolidating these methods with reeducation through labor. Despite such improvements, an internal (unpublished) regulation enacted in 1982 by the Min-

istry of Public Security extends the circle of those subject to this sanction by including undefined "anti-[Communist] party elements" and "antisocialist elements."<sup>18</sup>

Reports indicate that Chinese authorities have used this administrative measure to detain thousands of people in rural camps, including vagrants and political dissidents.<sup>19</sup> In July, 1980, Liu Qing, a well-known dissident, was given a three-year sentence of reeducation through labor at the Lotus Flower Temple, a penal farm, in Shanxi province. According to Liu's account, there were different categories of inmates in the penal farm: those sent for reform through labor and others, like Liu, given reeducation through labor. In spite of these distinctions, in practice all inmates were treated the same.<sup>20</sup> Liu also alleged that he was beaten, forced to wear a gas mask that made breathing difficult, and handcuffed with tight manacles for refusing to obey a guard who ordered him to observe an attitude of humility when walking. He also reported mistreatment of other persons held for reeducation through labor.<sup>21</sup>

The third type of administrative sanction is the so-called "shelter and investigation" (*Shourong shencha*) imposed by the police. The measure is based on an unpublished "Notice Concerning the Incorporation of the Forced Labor and the Shelter and Investigation into Reeducation through Labor," issued by the State Council, although the date of the document is not clear.<sup>22</sup> According to a published article, people who commit minor offenses and whose identity, address or background are unclear or who are suspected of having roamed from place to place committing crimes, or of forming criminal gangs, and other individuals may be subjected to "shelter and investigation" by the police in a period of one month to three months.<sup>23</sup>

The legal basis for this type of detention is not clear. According to another published article, among the many problems created by this measure are the lack of strict and rigorous approval procedures in subjecting a person to shelter and investigation, imposing corporal punishment and torture on the detainees to extract confessions, exceeding the time limit for holding a person in detention, and poor health and sanitation conditions in the detention places.

It is not clear how many people are now under various types of administrative sanctions; China publishes no statistics in this matter. However, persons who have been subjected to such sanctions claim that there are at least several million detainees.

## LAWYERS

In 1986, there were 21,546 lawyers in China, and

<sup>18</sup>Fu Ge, "The Theory and Practice of the Legislation on Reeducation through Labor," *Faxue* (Law Science), no. 7 (1987), pp. 44-45.

<sup>19</sup>Jay Mathews, "China Revives Labor Camp System," *Washington Post*, June 1, 1980; Bryan Johnson, "China Dissidents Fall through Cracks in New Legal Code," *Christian Science Monitor*, June 18, 1980; Fox Butterfield, "Hundreds of Thousands Toil in Chinese Labor Camps," *The New York Times*, January 3, 1981.

<sup>20</sup>Michael Weisskopf, "A Glimpse of Life in China's Prisoners," *Washington Post*, September 15, 1981.

<sup>21</sup>China, *Torture and Ill-treatment*, p. 10.

<sup>22</sup>Wang Jian, "What Is Shelter and Investigation?" *China Legal System Paper*, August 30, 1986, p. 1.

<sup>23</sup>*Ibid.*

the figure is expected to reach 50,000 by 1990 (the figure includes 7,046 part-time lawyers).<sup>24</sup> The attorneys practice in 3,198 law offices, but there are 38 counties in China that have no law offices. According to a Chinese vice minister of justice, among all the cases handled by courts, only 6 percent of the defendants are represented by lawyers; in criminal cases, only 20 percent of the defendants are represented by lawyers.<sup>25</sup>

Despite the severe shortage of lawyers, many lawyers have decided to leave the profession, thus further aggravating the situation. There are two major reasons why law practice is unattractive. First, many Chinese regard lawyers as "those who speak for criminals," and some officials regard the defense prepared by a lawyer as a challenge to their authority. According to Chinese press reports, government and party officials sometimes expel lawyers from courts, and arrest, detain or even persecute them. Judges also harbor a negative attitude toward lawyers. Second, lawyers' salaries are low and their working conditions are poor. Some law offices have no typewriters, copiers, tape recorders or cameras.

In Jilin province, one-third of the lawyers have stopped practicing law since 1984. In 1985, only 8.6 percent of the defendants in criminal cases and 8.1 percent of the defendants in civil cases in the province were represented by lawyers.<sup>26</sup> At present, China is apparently taking no effective measures to improve the status of attorneys in the society.

## CONCLUDING OBSERVATIONS

Since China undertook legal reform in 1979, significant progress has been made in improving the system of criminal justice. This is evident particularly if one compares current progress with the Maoist period; at that time, there was no criminal law and no criminal procedure law, the principle of an independent judiciary was rejected, and no lawyers were allowed to defend the accused. Today, China has a criminal law, a criminal procedure law and other related laws on criminal justice. Below the Supreme People's Court, there are 3,268 basic people's courts, 337 intermediate people's courts and 29 higher people's courts. Lawyers are now allowed to represent their clients. The Chinese government has repeatedly called for the establishment of the rule of law.

In practice, however, cases are still tried by judges, usually retired officials or soldiers, who

have received no formal legal training. Although torture is supposed to be forbidden, the Chinese press reports that torture is still practiced by police and that torturers are not either punished or receive lenient sanctions. The presumption of innocence is not accepted in criminal trials. There also is disparity in practice in the Chinese courts. Charges against officials are either dismissed or leniently resolved. At the National Political Consultative Conference held in the spring of 1988, economist Qian Jiaju said:

A certain governor of Jianxi province was sentenced to two years in prison for wasting several hundred thousand dollars in public funds on his mistress. A criminal was sentenced to life in prison for stealing watermelons. Can we say that laws [in China] are strictly enforced?<sup>27</sup>

The Chinese legal system allows a person to be sent to detention, without judicial review, for "shelter and investigation" for up to 3 months, or to "re-education through labor" for up to 4 years. In political dissident cases, the criminal procedure guarantee provided by law is usually disregarded. Individuals under detention or imprisonment are often mistreated.

Despite the existence of many civil rights in the Chinese constitution, there is still no procedure available to citizens to challenge unconstitutional legislation, illegal or *ultra vires* administrative rules issued by government agencies or interference in the administration of justice by party officials or the party committees at every level. Thus China has a long way to go to establish a criminal justice system that will meet minimum international standards ■

## CHINESE FOREIGN TRADE

(Continued from page 260)

ter relationship, but fundamental political questions—primarily Soviet support for the Vietnamese occupation of Cambodia—remain to be resolved.

## NEW PARTNERS

As interesting as the development—one might say normalization—of relations between the Soviet Union and China are, China's relations have been warming with two smaller but much more dynamic economies: the Republic of Korea (ROK) and Taiwan. These new relationships not only symbolize China's commitment to the world capitalist trading system, but they also have profound political implications.

South Korea and Taiwan are two of the most rapidly growing and prosperous Newly Industrialized Countries (NIC's) in the Pacific. Taiwan's per capita GNP now stands at about US\$5,000, and South Korea's at about US\$3,000; per capita income in China, by way of contrast, is about \$300

<sup>24</sup>*Renmin ribao*, July 7, 1986, p. 4.

<sup>25</sup>*Zhong bao* (Central Daily, New York), July 29, 1987, p. 16; *Renmin ribao*, July 11, 1986, p. 4.

<sup>26</sup>*China Daily* (Beijing), November 29, 1986, p. 3.

<sup>27</sup>Edward A. Gargan, "Words the Chinese Were Waiting to Hear," *The New York Times*, May 8, 1988.

in the cities and \$150 in the countryside. China's 1987 trade with South Korea and Taiwan, according to some estimates, is growing at a rate of more than 70 percent.<sup>15</sup>

Both South Korea and Taiwan have large trade surpluses with the United States and the outside world—Taiwan's foreign exchange reserves stand at about \$75 billion. Both are undergoing not only rapid economic growth, but political change as well. And finally, both have called China—and in the case of Taiwan that may remain in the present tense—the enemy.

As an ally of North Korea, China committed massive numbers of troops against the United Nations forces during the Korean War and has always had a close relationship with Communist North Korea. But the kind of economic development that Chinese leaders hope for has occurred in the South; thus as tensions in northeast Asia have eased, trade between South Korea and China has inevitably developed. Trade in 1987 was estimated at US\$2 billion, a 50 percent increase from 1986, and some projections put Chinese-South Korean trade at \$8 billion a year over the next few years.

Because the two countries do not enjoy formal diplomatic relations, most of this trade has been indirect. Hong Kong has been a favorite transshipment point, but goods are also reported to have gone through Japan, Singapore and even the United States.

### TRADE WITH SOUTH KOREA

The prospects for direct trade between South Korea and China are good. Newly elected South Korean President Roh Tae Woo is committed to the development of two ports, Mokpo and Kunsan, in the southern part of the country—significantly, areas loyal to South Korean opposition leader Kim Dae Jung—specifically for the China trade. And for its part, China has proposed an economic zone in Shandong province dedicated to trade and investment from South Korea.<sup>16</sup>

But the development with the greatest implications has been the opening between Taiwan and the People's Republic of China. Taiwan is the island

province to which Generalissimo Chiang Kai-shek and the Kuomintang (KMT) fled after Chairman Mao Zedong's Communist triumph in 1949. Ever since, the matter of the reunification of China—or, at the very least, the nature of the relationship between Taiwan and the People's Republic—has been one of the crucial questions of international politics. The political competition over the years has been fierce. Chiang and his followers held that the legitimate government of China was to be found in temporary quarters in Taiwan, and that one day the KMT would be restored. Even after Chiang's death in 1975, his successor and son, Chiang Ching-kuo, maintained the policy of the Three No's—no contact, no compromise, no negotiation.

### PRESSURES IN TAIWAN

The political pressures brought about by Taiwan's spectacular economic development eventually led Chiang Ching-kuo to adopt his own reform program. To a startling degree, the problems of political reform on Taiwan are similar to those on the mainland: how to rejuvenate a political apparatus directed by aging elites, how to reconcile economic and political development, how to open up a system long under pressure without losing control. Chiang Ching-kuo understood that the mainlander-dominated KMT would have to become more representative of Taiwanese interests. Furthermore, as China followed its own reform program, economic interests would reinforce political and cultural imperatives for some kind of contact.

This is not to say that the Taiwanese authorities have accepted Beijing's "One Country-Two Systems" formula for reunification. But over the past two years, the reforms that Chiang initiated (which are being carried out by his successor, Taiwanese-born and United States-educated Lee Teng-hui) have led not only to an increase in public discussion of contacts with the People's Republic but to an actual growth in trade and even investment.

Previously, such contact as there was went through Hong Kong. It is estimated that in 1987 trade between Taiwan and the People's Republic reached \$2 billion. Most of this trade, like South Korea's, has been indirect, through Hong Kong or Japan, but a small amount of direct trade—or smuggling—has been carried out by fishermen across the Taiwan Straits. And now that Taiwanese residents can legally visit the mainland—most go to ancestral homes in Fujian province—it would not be surprising to find an increasing amount of Taiwanese investment in the township enterprises of Fujian and other southern provinces, the places of origin of most Taiwanese families. In fact, the deputy governor of Fujian claims that Taiwanese business people have already invested US\$50 mil-

<sup>15</sup>The figures for China are taken from An Zhiguo, "Agenda of National People's Congress," *Beijing Review*, March 28, 1988, p. 7. See also "Taiwan Survey," *The Economist*, March 5, 1988. The estimates were reported by *Nihon Keizai Shimbun*, December 24, 1987.

<sup>16</sup>See "South Korea Is Warming up to China and Russia," *Business Week*, April 18, 1988, pp. 42–43. See also "Korea-China Trade—Rumblings of a Rush," *Business Korea*, February, 1988, and "South Korea-Direct Trade Grows," *China Trade Report*, May, 1988; "Growing Direct Trade Links Peking with Taipei, Seoul," *Business China*, October 12, 1987; "Mayor of Weihai Welcomes Investment by Korean Firms," *Korea Herald* (Kyodo), April 5, 1988.



lion in the province.<sup>17</sup>

These developments have several implications. In the immediate case of Taiwan and the People's Republic, the prospect of ending the Chinese civil war must seem attractive. Just how that conflict will resolve itself is, of course, a Chinese affair—a fact that was recognized not only by Taipei and Beijing but also by Washington, D.C., in the 1972 Shanghai Communiqué that marked de facto American recognition of the People's Republic and the beginning of China's new era of openness to foreign trade.

Furthermore, it should be recognized that these events reflect rapidly changing conditions. The Taiwanese media are openly discussing economic relations with the People's Republic, something unthinkable only a few years ago. The tone of Taiwanese-Chinese relations has definitely changed—we can see this in the low-key condolences sent by Beijing on Chiang Ching-kuo's death in January, 1988, and in the expeditious return of a Chinese airliner, hijacked to Taiwan in May, 1988, while on a flight from Amoy to Guangzhou: the Taiwanese authorities handled the matter in a thoroughly correct manner, removing the hijackers and sending the plane on its way only a few hours after it had landed in Taiwan. This writer suggests that these new relationships are developing much faster than they can be monitored.

In a larger sense, the emergence of a trade regime that would somehow link Japan, South Korea, Taiwan and the People's Republic would dominate economic developments in East Asia. Indeed, one can argue that such a northeast Asian economy already exists. Right now, about 50 percent of Chinese-Taiwanese-South Korean trade, interestingly enough, is in textiles, with China selling natural fibers to Taiwan and South Korea and buying synthetics and semifinished goods. China also buys machinery, household appliances and semiconductors from Taiwan and South Korea, while selling South Korea coal and selling Taiwan foodstuffs and medicinal herbs. But the trade is growing and

<sup>17</sup>See Yang Xiaoping, "Taiwan Businessmen Invest in Fujian," *Beijing Review*, April 18, 1988, p. 24; "Whispers at a Chinese Wall," *The Economist*, March 19, 1988; "Growing Direct Trade Links Peking with Taipei, Seoul," *Business China*, October 12, 1987; James McGregor, "Taiwan Entrepreneurs Step around Sedition Laws and Secretly Turn a Profit on the Mainland," *Asian Wall Street Journal Weekly*, May 2, 1988, p. 2; "Billion-Dollar Trade with Mainland May Be Tip of Undocumented Iceberg," *Free China Journal*, January 11, 1988, p. 4; "CETRA Urges Establishment of More Active ROC-Mainland Trade Policy," *Trade Opportunities in Taiwan*, April 11, 1988.

<sup>18</sup>See "China's Free-Market Reforms Show Signs of Slowing, CIA Says," *Asian Wall Street Journal Weekly*, May 9, 1988, p. 10. Data for other parts of this discussion are taken from "China '88; But Does It Catch Mice?" *Far Eastern Economic Review*, March 24, 1988, pp. 49–89.

these economies, all guided by developmental and neomercantile regimes, may well pose major competitive challenges on all fronts in the global economy of the 1990's.

## PROBLEMS

Despite the accomplishments and the potential for Chinese trade, a balanced appraisal must also consider some of the continuing problems of the China trade.

To begin with, China's total trade is small, especially if one compares it to the total trade of Japan and the United States, and even the trade of the NIC's. For instance, in 1987, Taiwan's total two-way trade came to \$87.5 billion, some \$4.8 billion larger than China's; South Korea's total trade volume reached \$83.4 billion. When one takes into account the disparities of resource endowment and population, one sees that these figures reflect a fundamental truth—China is a huge but poor country. It will be a while before China reaches full participation in the trading economy of the Pacific. Some observers believe that the impetus for Chinese economic reforms may have slackened—if so, the full development of China's foreign economic relations may be further impeded.<sup>18</sup>

China's trade balance is also a matter of concern. In 1987, its trade deficit was US\$3.7 billion; in 1986, it was US\$12 billion and in 1985 it reached almost US\$15 billion. While exports have grown substantially and the situation has improved—the Chinese like to say that "the rise in imports was controlled"—the deficit must be watched, especially in view of double-digit domestic inflation.

Foreign investment in China has not kept up with Chinese expectations. Most investment in China involves small and medium-sized projects; Hong Kong is by far the leading source of investment, followed by the United States. Although, after Hong Kong, Japan is China's leading trade partner, Japanese investments remain relatively small; the results of a limited survey of Japanese firms doing business with China that this writer carried out in Japan last year indicated that Japanese businessmen do not regard China as a particularly attractive investment site (particularly when Hong Kong and other Asian NIC opportunities are taken into account). Compared to 1985, the peak year thus far for foreign investment (over 3,000 contracts worth \$6.3 billion were approved), 1986 brought in half that number of contracts. In 1987, 2,230 foreign investment deals were approved, with a total value of \$3.6 billion—virtually the same value as 1986. As the most attractive opportunities for investment appear to lie in smaller projects, deals are apt to remain small.

Thus investment has remained essentially flat, despite attempts to expand the foreign trade legal apparatus and to create favorable and competitive investment conditions. In late 1986, for instance, "22 Provisions to Encourage Foreign Investment," which promised preferential tax treatment, priority access to, and guaranteed prices for, supplies, low-cost financing, and similar incentives for export-oriented or "technologically advanced" projects, were promulgated in the hope of stemming the decline in foreign investment.<sup>19</sup>

But in fact the bureaucratic and operational difficulties of operating in China have discouraged outside investors. China remains an expensive place for business; charges levied for business services are high, especially when the sometimes low quality of those services is taken into account. It is still difficult to recruit and retain skilled staff; party officials can intervene in unpredictable and unhelpful ways; "conditions" can change suddenly; the bureaucracy remains impenetrable; negotiations are lengthy and often unproductive; and access to domestic markets is difficult. In addition, many foreign business people report problems with corruption and what the Chinese would call "economic crimes"—bribery, theft and misuse of resources.<sup>20</sup>

Any assessment of Chinese foreign trade has to acknowledge its growth and expansion, but such an assessment must also acknowledge significant difficulties and problems. One must also recognize that improvements on the Chinese foreign trade scene will depend on the continuing success of the present regime's larger political and economic reform program, of which foreign trade is a part. And it should be remembered that this process, implemented 10 years ago, continues in a slow, sometimes halting manner. Certainly China does not have a consumerist economy (hardly the goal of China's leaders in any event): the bulk of Chinese imports are producer goods.

China may develop technology from export-

<sup>19</sup>See Rosanne D. Ren and Franklin D. Chu, "China Reverses Its Investment Slump," *Asian Wall Street Journal Weekly*, April 4, 1988, p. 16; see also Lucille A. Barale, "China's Investment Implementing Regulations," and Genevieve Dean, "Investment Incentives throughout Asia," both in *China Business Review*, March-April, 1988. Interestingly enough, China has made some overseas investments itself, primarily in Hong Kong, but also in the United States and Canada; however, the primary investment focus lies in attracting foreign funds.

<sup>20</sup>See "Serious Economic Crimes Boom in China," *Mainichi Daily News*, Tuesday, April 5, 1988, p. 5, which reports a 62 percent increase in economic crimes. For the kinds of difficulties encountered in China, see Louis Kraar, "The China Bubble Bursts," *Fortune*, July 6, 1987, and Adi Ignatius, "American Express Negotiators Run the Gauntlet in China," *Wall Street Journal*, May 5, 1988, p. 5.

<sup>21</sup>See the discussion in Harry Harding, *China's Second Revolution* (Washington, D.C.: Brookings Institution, 1987), pp. 131-171.

oriented industry, yet in the aggregate, the economy is not "export-led"; as Harry Harding has pointed out, only about 6 percent of the labor force is employed by exporting industries, and exports account for around 14-15 percent of national output (compared to 55 percent for Taiwan and 37 percent for South Korea).<sup>21</sup> An optimist would probably agree with the China trader who observed to this writer that "China has great potential . . . if you're willing to wait for it." ■

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## BOOK REVIEWS

(Continued from page 269)

*Changes and Continuities in Chinese Communism: Volume I* is part of a two-volume set that provides an overall examination of the modernizations and reform programs in China. R.S.B. ■

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## POLITICS AND POLITICAL REFORM IN CHINA

(Continued from page 252)

bolizing the appearance of the education lobby in Chinese politics.<sup>12</sup>

The interplay of official activities and delegate activity reinforced the feeling of sobriety characteristic of Chinese politics since the thirteenth party congress. The government and the party were criticized for their policies, especially for inflation, which (Li Peng admitted) had caused the declining living standards of some urban residents.<sup>13</sup> Reforms would continue in the areas of the open door policy, in the economy, and in the political realm, but promises that difficulties would be quickly ameliorated were appropriately in short supply.

Since the beginning of 1987, major changes have taken place within the leadership. Ideological conservatives have lost a great deal of power. Many older leaders have partially retired from formal positions of power. A rough balance has been struck between radical and moderate reformers. Younger leaders with a more technocratic background are rising to the top levels of the political system. Yet because elite politics is confined to such a small number of individuals, little is known about the initiation of these developments. Speculation and rumors abound, but the value of these assessments is difficult to ascertain.

Since the thirteenth party congress, observers of

<sup>12</sup>See Edward A. Gargan, "From Ivory Tower, a Chorus of Dissonance," *The New York Times*, April 12, 1988.

<sup>13</sup>Li's speech is reprinted in *Beijing Review*, April 25-May 1, 1988, pp. 22-47.

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*Erratum:* In the article by James E. Auer, "Japan's Defense Policy," in our April, 1988, issue, page 145, left column, lines 1 through 3, should read "Japan's 1988 defense budget may be the world's third largest, surpassing the spending totals of Britain, France and West Germany." We regret the error.

Chinese politics have focused on the differences between radical and moderate reformers, often personalizing this view by equating Zhao Ziyang with the radicals and Li Peng with the moderates. If a one-on-one Zhao-Li conflict were the principal cleavage in Chinese politics, that conflict would be over very quickly. Zhao's personal power and authority greatly outweigh Li's. Zhao has had a much more varied career, with more achievements to his credit, and with a far wider range of contacts than Li.

But a pure Zhao-Li showdown is unlikely at this time. First, the extent of the differences between the two men should not be overemphasized. Li has seemed more cautious than Zhao, but fundamental differences of opinion are harder to find. Second and more important, there is an only partially submerged generational conflict between the revolutionary generation (symbolized by Deng Xiaoping, Chen Yun, Peng Zhen and others) and the post-revolutionary generation exemplified by Li Peng, Hu Qili and other leaders in their fifties. Zhao is somewhere between these two generations.

The revolutionary generation is loathe to loosen its grip. It doubts the credentials and the commitment of the younger officials who did not risk their lives for the revolution. The older generation thinks it has a far more profound understanding of China. For its part, the younger generation feels that the older leaders lack the technical knowledge to lead China into the twenty-first century; the experience of revolution, as the younger group sees it, does not equip the older leaders to say anything at all about the process of modernization.

To be sure, the revolutionary generation is split between radical and moderate reformer camps, with Li Peng's position bolstered by the support of the older moderate reformers. But Li cannot count on their support for long because they will not live much longer, and their ability to control political affairs wanes with their physical and mental energies. Zhao, too, draws support from the radical reformers of the revolutionary generation, most notably Deng Xiaoping. But Zhao also has an independent political base and coalition. He is not beholden to Deng to the same degree than Li Peng is to older leaders.

Third, in light of the Cultural Revolution, Chinese leaders know that elite conflict is highly destructive to development. Thus a very high premium is placed on consensus and compromise. Future political struggles within the leadership are unlikely to be cases of "winner take all" and far more likely to be subject to negotiation to determine which faction makes somewhat more concessions.

In the view of many analysts, the crucial leadership issue is what happens if Deng dies before more

conservative older leaders die. Will Zhao be displaced or be made less politically effective? Will Li Peng become China's top leader in a de facto if not a de jure sense? Does it matter much which of the older leaders dies first?

This writer supports the view that who predeceases whom is not likely to have a fundamental impact on Chinese politics. Zhao is sufficiently powerful without Deng. Li Peng has yet to prove he can manage the State Council, and at this time he has few major policy successes to his credit. Even with the support of the older generation, Li's political skills remain largely untested. The generational tension between the 80-year-olds and the 50-year-olds also suggests that if Li is seen as the servant of the elders, he risks losing the support of the younger group, who will ultimately replace the older leaders and who would have to implement any policies Li and his supporters would want. Thus, at the leadership level (and barring unforeseen circumstances), radical reformers will probably be able to retain overall political control.

But while the radical reformers will probably dominate at the leadership level, their relative power vis-à-vis the state apparatus will decline. This is precisely why the entire leadership supports moderate political reform. The new leaders will lack the sources of authority of the revolutionary generation. Bureaucrats have much less to fear from Li Peng than they had from Zhou Enlai, Mao Zedong and Deng Xiaoping. New leaders will have a narrower career path and will be more beholden to the particular bureaucratic organization in which they have made a name for themselves. The revolutionary generation established the organizations; now the organizations are making the new leaders.

Moderate political reform is designed to make the state work more efficiently. Precisely, this means that the bureaucracy should be made more responsive to impulses coming from the leadership, from below (to the extent that popular input is allowed), and from the market. Moderate political reform is not designed to change the fundamental nature of the state apparatus, but to make it work more effectively in the service of economic development.

Given the erosion of the relative power between the leadership and the state apparatus, moderate political reform will be difficult to implement. In every country, bureaucrats dislike to face the erosion of their power, prerogatives and relative autonomy. Political leaders know that they cannot make the bureaucracy conform to all their wishes, and that even if they could, the disruption might well outweigh the possible gains. Political leaders can rely only on long-term policies, allowing the market and the legal system to play a larger and



larger role in the hope that law and trade will gradually circumscribe and alter the state apparatus in ways that serve reform. In short, payoffs from moderate political reform will not be immediate, and the process of moderate political reform will be long, complicated and not very dramatic.

Finally, supporters of radical political reform have not disappeared. While students and intellectuals are less able to articulate their views than they were in late 1986, Fang Lizhi and other proponents of radical political reform have not been silenced. Students remained estranged from the political structure. Despite sanctions against student activism, sporadic student protests have broken out since the fall of Hu Yaobang. Moreover, there is reason to believe that the constituency favoring radical political reform will expand beyond the realm of students and intellectuals, which remains a very small segment of Chinese society (generously, no more than five percent, most of whom are not active in pressing for political reform). The impact of inflation and official corruption is dismaying broad segments of the people. But the existing political system lacks mechanisms by which such dismay can be channeled into a positive force for change.

The growing influence of the market on Chinese society means that Chinese citizens are better able to pursue their own economic interests. Once these interests are unleashed, they will have to be protected politically if economic reform is to survive. While the process is not yet very far advanced, the existence of the market and the other reforms are creating conditions that will allow interest groups to make demands on the state.

If the state responds favorably to widespread interest group activity, radical political reform will have been achieved. If the state, as is more likely, responds by trying to suppress interest group behavior, radical political reform will be unrealized, but a fundamental change in the nature of Chinese politics will nonetheless have taken place, and struggles between state and society are likely to generate increasing support for radical political reform. Radical political reform is unlikely to be attained anytime in the near future, but support for fundamental political change will surely increase at the societal level.

## CONCLUSION

Developments in the areas of politics and political reform in China in the last year and one-half suggest that commitment to the process of reform and restructuring remains strong in the Chinese leadership. Many signs provide assurance that the new leadership is anxious to proceed with changing China for the better. But while this orientation remains positive, the new leadership has less power to

ensure that its policies are put into practice. Indeed, many reform policies directly undercut the power of the central leadership. This is particularly true in the forms of decentralization that have been launched since 1978. Thus moderate political reform is likely to be a long-drawn-out process with mixed results.

In addition to having less control over events, the leadership faces problems with which the Chinese state has had only limited experience. How can the leadership deal with inflation while continuing to reform the economy? How can it integrate planning with the market? How can China's leaders give intellectuals more voice in the setting of policy? How can they overcome the problems of a partially reformed economic and political system? The simple answer to all these questions may be more reform; but the costs of more reform, the specifics of additional reform, and the pace of further reform are highly controversial issues, for which neither the radical nor the moderate reformers have ready-made solutions. It would be unrealistic to expect breakthroughs in any or all of these areas.

Finally, the few voices for radical political reform will grow stronger. How this trend will interact with the struggle between the leadership and the state apparatus over the issue of moderate political reform is unclear. The Chinese Communist party is likely to crack down periodically on radical political reformers; and, just as regularly, it will probably allow fundamental dissent on the fringes of society because the party must mobilize the energies of the intellectuals (and others) if China is to modernize.

Over the last 10 years, the state's toleration of dissent has increased, but China's leadership is still intolerant of radical political reform. Yet the conflict between the radical political reformers and the Chinese state will probably become increasingly important in determining the fate of China's modernization, as the question of China's political future moves to the center of the political agenda. ■

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## SINO-SOVIET DETENTE AND CHINESE FOREIGN POLICY

*(Continued from page 248)*

cent share of China's total foreign trade in 1982 to a 5.5 percent share in 1986.

• Despite temporary irritants between the two countries, Japan will continue to be important, even more so than before, for China's reformist leadership. By the mid-1980's, China's annual trade with Japan had reached \$19 billion, as compared to a mere \$3.7 billion a decade earlier. For the current year, Japan has extended sizable credits, totaling \$4 billion, in support of Chinese economic reforms. Japanese businessmen have also increased their direct investments in China. New Japanese invest-

ment projects approved by Beijing in one month alone amounted to \$1 billion.<sup>22</sup>

- The recent decision to make Hainan Island a province and, more important, to turn it into the country's largest "special economic zone" will only highlight China's effort to "open up" to the outside world. More investments and technology will be sought from abroad to develop the area's rich resources.<sup>23</sup>

- Ties with the European Economic Community (EEC) and the Asian Development Bank (ADB) will likewise become more important. By 1986, Chinese trade with the EEC had reached \$13.3 billion, representing a 39.3 percent increase over the previous year. Since its recent membership in the ADB, China has found a new source of loans to finance its own projects at home.

- Flirting with South Korea will continue in earnest. South Korea, which is one of the few major countries that still maintain diplomatic ties with Taiwan, is responding in kind under the new government of President Roh Tae Woo, who made a campaign pledge to press for diplomatic relations with Beijing. Looking to its new "West Coast era," Seoul is increasing its contacts with China. Both countries are known to have an interest in direct trade.<sup>24</sup>

- In a surprise move, in April Beijing signed a secret deal with Israel for the purchase of advanced missile technology. The deal also calls for supplying Beijing with technology for advanced trajectory-corrected missiles of unspecified designation, laser-guided armor-piercing warheads and artillery shells. Israel is also reported to have been helping China develop a new fighter plane, using technology derived from Israel's canceled Lavi warplane.<sup>25</sup> The Chinese have thus found a new source of technology, which will remain crucial as long as their difficulties with Washington continue.

Three tentative conclusions emerge from this dis-

<sup>22</sup>*Asia Wall Street Journal*, February 12, 1988. Figure was for the month of September, 1987.

<sup>23</sup>Formal approval to make Hainan a province was given by the 7th session of the NPC in late March, 1988.

<sup>24</sup>China News Agency dispatch from Seoul, February 2, 1988.

<sup>25</sup>*The New York Times*, April 4, 1988.

<sup>26</sup>Argentine President Raúl Alfonsín visited Beijing in May, 1988. There were two Chinese trade missions in Lima, Peru, in February, seeking expanded trade. A Brazilian mission visited China in April to discuss commercial cooperation and technological exchange.

<sup>27</sup>Reuters dispatch from Tokyo, dated May 3, 1988, quoting Japanese sources.

<sup>28</sup>As a result of Beijing's entry under the name of "People's Republic of China," the ADB required the "Republic of China" on Taiwan to change its name to "Taipei, China."

<sup>29</sup>Beijing was reported to be selling some CSS-2 surface-to-surface missiles to Saudi Arabia, to boost Saudi defense in the Middle East. See *Washington Post*, March 17, 1988.

cussion. First, Beijing's new foreign policy orientation is an obvious outcome of an assessment of China's international strategic environment. It is also dictated by the imperative of China's domestic economic program and entails a reordering of priorities. The first crucial change in China's foreign policy is the new momentum toward ameliorating relations with the Soviet bloc. A second change is the newly gained prominence of what used to be called the "second world," namely, the non-Communist industrial countries other than the United States. Although China still considers itself a third world country, the third world has little or no claim on Beijing's attention in China's current search for new and alternative suppliers of credits and technology needed for Chinese economic reconstruction at home. The only exceptions seem to be found in Latin America. China's contacts with Argentina, Peru and Brazil, for example, have increased in recent months.<sup>26</sup>

Second, the current Sino-American impasse came at the "wrong" time for Washington, because it seems to have poured fuel on the fire of Sino-Soviet détente. In May, 1988, Beijing and Moscow were reported to be negotiating a treaty of mutual nonaggression.<sup>27</sup> This may be an indication of further developments after the Chinese drop the concept of antihegemonism.

Finally, there are two fallouts from China's new foreign policy shifts. One is the potential effect on Sino-American economic relations; buffeted by political problems with Washington, the Chinese are seeking alternative markets. The other fallout is the new challenge that Beijing will pose for Taiwan. Under pressure to scale down its huge trade surplus with the United States, Taiwan is looking for new outlets in some of the same areas in which China is looking for closer ties, including East and West Europe. The competition has been made more acute by China's recent entry into the ADB, which has hit Taiwan with an identification problem.<sup>28</sup> The clash is sure to deepen as South Korea and, more recently, Saudi Arabia move closer to Beijing.<sup>29</sup> ■

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## DISSENT AND TOLERANCE

(Continued from page 264)

of their films have won international acclaim before domestic recognition.

Interestingly, China's bright young directors face opposition from two fronts. First is the familiar interference from censors at many levels and from party leaders, a problem for all cultural workers. It is still common for a high-ranking official to kill a costly film for political reasons. The most recent case reportedly concerned *The Secret Affairs of the Kung Family*, a film about the descendants of Con-

fucius. It was scheduled to be shown in April, 1988, and had been approved by a descendant of the sage. However, at the end of March, as the film was previewed by reporters and critics, a senior cadre ordered the producers to pull the film. A Taiwanese professor—the brother of the descendant who had approved—had seen the script and found it objectionable. Beijing officials thus feared the production might harm the policy of winning over Taiwan.<sup>18</sup>

Interference with the annual film awards is becoming as institutionalized as the awards themselves. The lengthy dispute between film professionals and the party leadership in 1986 is already well known. In 1987, when former propaganda chief Deng Liqun wielded great power in the cultural field, the announcement of winners in the Hundred Flowers awards (chosen by readers of the fan magazine *Popular Cinema*) was suppressed for six months, while the voting for the more prestigious Golden Rooster awards (decided by film professionals) was postponed indefinitely. Reportedly, two of the top contenders were alleged to be too soft on the nationalists; a third was thought to be anti-party.

The choice of *Hibiscus Town*—a film adaptation of a novel about the Cultural Revolution in an isolated Hunan town—for four of the five Hundred Flowers awards was not without some ironies. The director, Xie Jin, has for some 30-odd years faithfully made films that reflect the party line, including a Jiang Qing-sponsored model opera. Given his track record, the selection of Xie to make the first major film about the Cultural Revolution was not a popular one with China's more innovative filmmakers. Nevertheless, the film—already a watered-down version of the novel—had initially been banned, subject to further cuts. To Xie's opponents, the most delicious irony—and one reason for the ban—stemmed from Xie's overeager attempt to remain in step with the “current” party line. He had added a director's afterword to the film noting that there had been no campaign since the Cultural Revolution, with everyone now marching in pursuit of the Four Modernizations. Unfortunately, the film was released just as the Politburo began its purge of bourgeois liberals.<sup>19</sup>

The second source of opposition faced by innovative filmmakers comes from their more established

colleagues. Veteran directors like Xie, with their reliance on socialist realism and excessive emotional content, were under attack by nonestablishment film critics for retarding cinematic creativity during the relatively open political atmosphere in 1986. The anti-bourgeois liberalization campaign of 1987 gave the establishment an opportunity to score some points. For example, the manager of the Shanghai Film Corporation castigated younger filmmakers for abandoning the socialist cause and divorcing themselves from the masses, noting that serving the people as a “patriotic Chinese filmmaker” was more important than success in international film salons or being a “slave to the West.”<sup>20</sup>

If Xie has been something of a cynosure for attack on the Shanghai-based filmmakers, the standard-bearer for the new wave of directors is Wu Tianming, head of the Xian Film Studio, which has won more than 20 national and international awards since Wu took over as studio director in October, 1983. Wu has fended off attack in a variety of ways. First, his studio has produced enough popular action films to be financially successful, an issue of increasing importance. Second, Wu has embraced internationalization. In addition to building up a solid reputation abroad, he has not hesitated to use the foreign media to denounce openly—in *The New York Times*, no less—his chief antagonist, the head of the Shaanxi Provincial Propaganda Department, as an “ossified thinker” with no artistic credentials.<sup>21</sup>

In the more open atmosphere of 1988, the role of the party and the state in cultural affairs has been widely discussed in the press. There appears to be broad consensus among reformist political leaders and cultural workers that excessive outside interference in literature and the arts has often been counterproductive. Two remedies, one legal and one economic, are being employed to “free” the arts from tight, often arbitrary control. The legal solution—literally demanded by weary film studios—is the enactment of a film censorship law that would stipulate the censoring procedures, the nature of the censoring authorities, the criterion for censorship and the censor's qualifications. While this may not provide much protection from censorship, it should reduce the capriciousness of the process.

For economic reasons, Zhao Ziyang has recommended the release of virtually all artistic troupes from direct state control and government subsidies. With the exception of the Central Opera, the Philharmonic Orchestra and the Beijing Ballet, culture, according to the *Guangming Daily*, should become an “economically profitable commodity.” If these measures are carried to some of the extremes suggested—and one must be skeptical, given un-

<sup>18</sup>*Asiaweek*, May 6, 1988, p. 22.

<sup>19</sup>Geremie Barmé, “Cultural Commissars in the Camera's Eye,” *Far Eastern Economic Review*, March 10, 1988, p. 42; *The Economist* (London), January 16, 1988, p. 88; Radio Beijing (English), April 15, 1988, in FBIS, April 18, 1988, pp. 31-32.

<sup>20</sup>Barmé, “Cultural Commissars,” p. 43.

<sup>21</sup>*The New York Times*, November 27, 1987; *The Economist* (London), January 16, 1988, p. 89; Linda Jaivin, “Showdown at the Home of the Chinese Western,” *Far Eastern Economic Review*, March 10, 1988, pp. 42-43.



successful past attempts and the persistence of the Chinese bureaucracy at the middle and lower levels—the consequences would be substantial. On the positive side, economically successful companies would probably be less subject to political interference from local cultural commissars. On the other hand, however, it would be even more difficult for experimental, avant-garde cultural works to justify themselves. While still politically suspect, they might find themselves competing in the marketplace with the kind of “peek-a-boo sex frolics and kung-fu violence” that marked the Taiwanese and Hong Kong film industries at their inception.<sup>22</sup>

## CHINA'S STUDENTS ABROAD

There is no better example of the internationalization of dissent than the protest activities of China's overseas students. They are both the hope of the modernization program and a potential Achilles' heel. The country desperately needs their skills, but it is difficult to persuade them to return. Since 1978, China has sent more than 50,000 students to study in 70 countries. About 20,000 have returned, but most of these were visiting scholars abroad for short research stays. Very few of the 10,000 self-financed students have returned. Of greatest concern to Chinese authorities—although it is still too early to become alarmed—are the 12,000 government-sponsored students in graduate programs abroad; thus far, only 200 to 300 students have returned.<sup>23</sup> Moreover, the press has reported many cases of Western-trained students who are either underutilized or simply unable to find any suitable employment.<sup>24</sup>

During the student demonstrations and the political repercussions of the demonstrations in December, 1986–January, 1987, many of China's students abroad openly expressed their disillusionment with the party's political and ideological crackdown. In January, 1987, 1,682 students signed an unprecedented open letter of protest, with 701 signing their real names. Chinese students in Japan conducted—and published—surveys revealing the depth of their dissatisfaction, outraging embassy and consulate officials, who retaliated by closing down the students' journal. This pattern of protest among China's students abroad has continued. For exam-

ple, reacting to an internal document from the State Education Commission that would restrict overseas study, students in the United States published an open “Letter of Appeal to the Leaders of the Chinese Government,” expressing their dismay; more than 2,000 students signed the letter, with half using their real names.<sup>25</sup>

Fang Lizhi has suggested that the authorities have been reluctant to allow him to travel to the United States because of the unmediated access Fang would have to large numbers of students. The best example of the growing importance of the Chinese international student movement, however, is the Yang Wei case. Yang was a student at the University of Arizona when he was arrested in Shanghai in January, 1987, and charged with abetting the student demonstrations. He was accused of acting on behalf of the Chinese Alliance for Democracy, a dissident organization founded in New York in 1982, largely by disaffected students abroad.

The alliance used a sophisticated publicity and lobbying effort to bring the Yang case before the American public and government, leading to a congressional bill, signed by President Ronald Reagan, calling for Yang's release. Such American pressure in a Chinese political case was unprecedented and the Chinese reacted to that pressure. When Yang was finally tried—and convicted—in December, he received a two-year prison term, the lightest sentence ever given to a Chinese convicted of counterrevolutionary activity.<sup>26</sup>

## CONCLUSION

The imperatives of China's reform program appear increasingly to be dictating the pattern of dissent and tolerance that marks the changing relationship between the party and China's social forces. The importance of the outside world and China's own intelligentsia in the modernization effort has created a difficult situation for China's reformist leadership, but arguably an impossible one for the conservative ideologues, whose power—despite occasional flashes to the contrary—has generally been on a downward spiral. Ironically, the self-styled defenders of orthodoxy in China may find their sphere of influence gradually narrowed to subjects like “academic” Marxist theory, to keep them from hindering important reforms.

As Wang Ruoshui, former deputy editor-in-chief of *People's Daily* and a victim of the hardliners' wrath, noted in a recent interview:

Right now, there aren't many restrictions on the publications of books about foreign ideas and philosophies. Paradoxically, it's us, people who engage in research on Marxism-Leninism, who have difficulty publishing.<sup>27</sup>

<sup>22</sup> *The Economist* (London), March 19, 1988, p. 98; *Hong Kong Standard*, March 4, 1988, in FBIS, March 4, 1988, p. 7; *China Daily*, April 27, 1988, p. 4.

<sup>23</sup> *Liaowang Overseas Edition*, March 21, 1988, in FBIS, April 15, 1988, pp. 27–30.

<sup>24</sup> *Zhongguo qingnian bao*, December 12, 1987, p. 1, and May 14, 1988, p. 1.

<sup>25</sup> *Zhong bao*, April 5, 1988, and April 11, 1988.

<sup>26</sup> Andrew J. Nathan, “Flowering of China Spring Puts Beijing in a Dilemma,” *Los Angeles Times*, March 22, 1988.

<sup>27</sup> *Asiaweek*, February 26, 1988, p. 23.

Indeed, after conducting selected campus surveys that discovered that almost all students had copies of works by Sartre, Freud, Schopenhauer, Nietzsche, and other Western philosophers, but that Marxist philosophy was not marketable, party propaganda officials did not dare to adopt the previous counterproductive practice of simply banning these books.<sup>28</sup>

It would be foolhardy, if not impossible, to continue the open policy while suppressing foreign ideas and philosophies. By bringing China's intellectual elite into the international marketplace of ideas, however, the reformers have begun to broaden the still narrow zone of autonomy for the cultural intelligentsia. While outright dissent, as we have seen, is likely to be practiced most boldly by students abroad and by astrophysicists, specific benefits have also accrued to writers and artists. For many who are well known, traveling and publishing abroad have become possible. Even in campaign times, as in 1987, it is apparently no longer necessary to denounce one's fallen colleagues; very few did so during the anti-bourgeois liberalization campaign.

Moreover, intellectuals may have a certain (admittedly limited) "negative power" to withhold support. Politburo Standing Committee member Hu Qili and Rui Xingwen, who is, expected to be the next head of the party's Propaganda Department, have been meeting this year with prominent members of cultural and theoretical circles, including some who were under a cloud during the 1987 campaign. Rui was reportedly told on several occasions in January, 1988, that "it will be impossible for intellectuals to arouse themselves" until the problem of the eight "freezing points"—i.e., the eight intellectuals dismissed from their jobs and/or expelled from the party in 1987—disappears.<sup>29</sup>

In mid-1988, visitors to Beijing can easily find signs of an ideological thaw. Large Mao statues have been removed from Beijing University, American rock music can be heard on the radio, an American film festival is making the rounds of the major cities, the first-ever modeling contest is set to go, criticized playwrights Bai Hua and Wu Zuguang will have their plays published and performed. Still, a concluding word of caution is necessary. In the final analysis, intellectuals are always subject to the will and whim of party bureaucrats. Hu and Rui have recently been solicitous of intellectual input because of a series of important

meetings that will occur later this year. The fifth congress of the China Federation of Literature and Art Circles, originally scheduled for 1985, will be held in November. The congress is to review literary and artistic work in the past nine years—the last congress was held in 1979—to reform the literary and artistic structure, and to elect a new leading body.

The Central Committee is currently drafting a document that will guide work in this area. Hu Qili—who has been called everything from a radical reformer to an "ideological hit-man"—reminded over-enthusiastic intellectuals of the Janus-like quality of the CCP when he noted, in a January speech, that "under certain circumstances, if bourgeois liberalization becomes a striking problem, we cannot but concentrate our efforts on solving it."<sup>30</sup>

A second meeting has even broader significance. In December, an important convention on ideology—to mark the tenth anniversary of Deng's rise to power at the landmark third plenum of the eleventh Central Committee—is scheduled. It is expected to be the most significant intellectual event of recent years, preparing the path for the second stage of "de-Maoification" and the further modification of Marxism. Preliminary reports suggest that the eight dismissed intellectuals—and other "liberals" as well—will not receive invitations.<sup>31</sup> ■

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## CHINA'S ECONOMY

(Continued from page 256)

stimulate production. In recent years, with the flourishing of rural industry, short-distance transportation and other commercial activities, grain producers have discovered that their income was among the lowest of all farmers. Peasant incentive was further suppressed when prices on chemical fertilizer, insecticide and diesel oil soared.

For all these reasons, many grain producers either abandoned farming or shifted their operation to high-priced products. The outcome was a stagnation in food production. To halt the decline, early in 1988 the government announced several minor policies including more investment funds for agriculture, greater efforts to guarantee input supply and the increase of procurement prices for wheat. The goal set for 1988, 410 million tons of grain, is moderate and attainable; yet until grain producers receive an income comparable to the income of other businesses, even a two percent increase in grain output will not be an easy task.

China's industrial picture looks much brighter, although industry is still plagued by structural imbalances. First, the development of the energy sector continues to lag behind industrial development. Between 1980 and 1987, when industrial output

(Continued on page 302)

<sup>28</sup>*Cheng Ming*, March, 1988, in FBIS, March 15, 1988, p. 11.

<sup>29</sup>*Jingbao*, February, 1988, in FBIS, February 16, 1988, p. 15.

<sup>30</sup>*Ibid.* Also *Xin wan bao*, April 20, 1988, in FBIS, May 3, 1988, p. 19.

<sup>31</sup>*Asiaweek*, May 6, 1988, p. 22; *Wenhui bao* (Hong Kong), May 13, 1988, in FBIS, May 13, 1988, p. 23.

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# FOUR MONTHS IN REVIEW

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*A Current History chronology covering the most important events of April, May, June, and July, 1988, in four monthly sections, to provide a day-by-day summary of world affairs.*

**April, 1988**

## INTERNATIONAL

### Central American Peace Plan

- April 1—The Sandinista government of Nicaragua and the Nicaraguan contras begin a 60-day cease-fire, while both sides attempt to negotiate peace terms.
- April 16—Under the terms of the Central American peace plan, Sandinista government officials and contra leaders begin a 3-day session in Managua.
- April 18—The contras and the Sandinistas conclude the negotiations without an agreement.
- April 28—Contra leaders arrive in Managua for another 3-day round of negotiations with the Sandinista government.
- April 30—After the initial 3 days of negotiations, some contra leaders remain in Managua.

### International Terrorism

(See also *Italy*)

- April 5—On a flight from Bangkok to Kuwait, a Kuwaiti Airways airplane is hijacked by pro-Iranian terrorists and forced to land at the Iranian city of Meshed. Among the 110 people on the plane are 3 members of the Kuwaiti royal family.
- April 7—The hijackers of the Kuwaiti Airways plane release 32 passengers; 24 passengers were freed on April 6. Sources say that there are 5 or 6 hijackers on the plane and that 50 people are still being held hostage.
- April 8—The hijacked Kuwaiti airplane leaves Iran, but its hijackers are not allowed to land at Beirut airport. The plane finally receives permission to land at Larnaca, Cyprus, when the pilot announces that the vehicle is about to run out of fuel.
- April 9—Cypriot officials start negotiations with the hijackers after the terrorists kill a security guard who was one of the remaining hostages on the plane.
- April 11—The pro-Iranian hijackers kill another hostage when authorities refuse to allow the airplane to be refueled.
- April 13—As a result of negotiations between the hijackers and officials from Kuwait, Cyprus and the Palestine Liberation Organization (PLO), the Kuwaiti airliner leaves Cyprus for Algeria after the hijackers exchange 12 hostages for fuel and permission to depart.
- April 20—The hijackers end their 15-day siege of the Kuwaiti airliner when they are given safe passage from Algeria to either Beirut or Teheran in exchange for the release of the remaining 31 hostages.
- April 22—Kuwaiti officials say that the hijackers flew to Syria on April 20 and then left Syria for Lebanon.

### Iran-Iraq War

(See also *U.S., Foreign Policy*)

- April 1—Iran claims that 75 people were killed and 100 injured in Iraqi mustard and nerve gas attacks initiated by Iraq in March, 1988, in northeastern Iraq.
- April 2—Iraq says that it has killed thousands of Kurdish guerrillas in northeastern Iraq. Iran claims to have bombed Iraqi garrisons in the area.
- April 4—Iran and Iraq resume their missile warfare against each other's cities.
- April 6—Iran claims that Iraqi missile attacks and raids on

Teheran and other Iranian cities have resulted in the death of at least 37 civilians. Iran retaliates with missile attacks on Baghdad.

- April 11—After a 3-day hiatus, Iraq resumes its missile warfare against Iran.
- April 12—Iran claims to have killed 2,700 Iraqis in a new Iranian offensive in northeastern Iraq.
- April 14—The U.S. frigate *Samuel B. Roberts* is damaged by an underwater explosion in the Persian Gulf; at least 10 crew members are wounded.
- April 18—U.S. naval forces destroy 2 Iranian oil rigs and damage or sink 6 Iranian vessels in retaliation for the Iranian mining of Persian Gulf sea lanes; a U.S. helicopter is missing.
- Iraq apparently recaptures the Fao Peninsula after it launches a major offensive against Iranian forces. Iran held the strategic area for almost a year.
- April 19—Iranian forces set fire to a tanker sailing under the flag of the United Arab Emirates.
- April 29—U.S. President Ronald Reagan orders U.S. forces in the Persian Gulf to extend protection to all neutral vessels coming under attack by Iran.

### Organization of Petroleum Exporting Countries (OPEC)

- April 26—In an effort to increase world oil prices, non-OPEC oil producers tell 5 OPEC countries meeting in Vienna that they would be willing to cut oil production by 5 percent if the percentage were matched by OPEC members.

### United Nations (UN)

(See also *Israel*)

- April 8—Under Secretary General Diego Cordovez announces that a settlement has been reached at the Geneva peace talks among Afghanistan, Pakistan, the Soviet Union and the U.S., with the Soviet Union agreeing to withdraw its troops from Afghanistan.
- April 14—In Geneva, the Soviet Union, Afghanistan, Pakistan and the U.S. sign a series of agreements in which Pakistan and Afghanistan agree not to interfere in each other's affairs and the Soviet Union agrees to remove its soldiers from Afghanistan.
- April 19—Tunisia asks the UN Security Council to condemn Israel because of allegations of Israel's involvement in the murder of Palestinian leader Khalil Wazir.
- April 20—Thailand has agreed to the construction of a new holding center for Vietnamese refugees along the Cambodian border. The center will be built by Thailand and the UN High Commission for Refugees.
- April 25—By a 14-0 vote, with the U.S. abstaining, the Security Council votes for a resolution condemning the assassination of top Palestine Liberation Organization (PLO) aide Khalil Wazir.
- April 26—In a unanimous decision, the World Court rules that the U.S. must submit to international arbitration its decision to close the PLO observer mission at the UN.

### AFGHANISTAN

(See also *Intl, UN; U.S.S.R.; U.S., Foreign Policy*)



April 10—The Afghan government accuses Afghan guerrillas of downing a Soviet-built passenger plane over northwestern Afghanistan, killing all 29 people on board.

April 27—A bomb blast in Kabul kills 6 people and wounds 49 others. The government blames rebels from the Afghan resistance for the attack.

April 28—At a news conference, President Najibullah says that after the proposed withdrawal of Soviet troops from Afghanistan, military advisers from the Soviet Union will remain to assist the Afghan army.

## ALGERIA

(See *Intl, International Terrorism*)

## CAMBODIA

(See *Intl, UN*)

## CANADA

April 28—Prime Minister Brian Mulroney concludes 2 days of discussions with U.S. President Ronald Reagan in Washington, D.C. Both leaders agree to schedule a series of high-level talks about the acid rain problems.

## CHINA

(See also *Saudi Arabia*)

April 4—The Chinese government says that it will allow the Dalai Lama to return to Tibet if he discontinues his advocacy of Tibetan independence. The Dalai Lama, who is the spiritual leader of Tibet, has been in exile since 1959.

April 5—While visiting Great Britain, the Dalai Lama dismisses the Chinese government's offer to allow his return to Tibet.

April 8—The National People's Congress (NPC) elects Wan Li as its chairman and Yang Shangkun to the largely ceremonial post of President of China.

April 9—The NPC approves the appointments of Li Peng as Prime Minister and Qian Qichen as foreign minister.

## CYPRUS

(See *Intl, International Terrorism*)

## EL SALVADOR

April 11—President José Napoleón Duarte says that El Salvador will not grant amnesty to 3 Salvadorans convicted of killing 4 U.S. Marines and 9 civilians in 1985.

April 12—The right-wing Arena party petitions El Salvador's Supreme Court to nullify the official results of the March, 1988, legislative elections. Arena officials say that its opposition stole a seat that would have given Arena the majority in the National Assembly.

## ETHIOPIA

(See also *U.S., Foreign Policy*)

April 4—Ethiopia's press agency says that Ethiopia and Somalia have reached an agreement to restore diplomatic relations. The 2 nations severed relations after a border war in 1977.

## FRANCE

April 24—In today's presidential election, President François Mitterrand is the leading vote-getter, receiving 35 percent of the vote. Prime Minister Jacques Chirac finishes 2d, with 20 percent of the vote, and right-wing extremist candidate Jean-Marie Le Pen gets 14.5 percent of the vote in a surprisingly strong showing. President Mitterrand and Prime Minister Chirac will face each other in a runoff election scheduled for May 8.

## New Caledonia

April 22—Demanding autonomy from French rule, a group of

Melanesian separatists attack a police station, kill 3 police officers, and abduct 23 hostages.

## GERMANY, WEST

April 19—A West German court convicts Abbas Hamadi on kidnapping charges and sentences him to 13 years in jail. Abbas Hamadi had abducted 2 West German citizens and offered them as ransom for the release of his brother, Mohammad Hamadi, who is being held in West Germany on hijacking charges.

## HAITI

April 25—A ruling by a French appeals court allows the Haitian government to sue former Haitian leader Jean-Claude Duvalier for \$120 million. Haiti claims that Duvalier stole the money from the state treasury before his ouster from power in 1986.

## HONDURAS

April 5—Honduran military officials arrest alleged drug trafficker Juan Ramón Matta Ballesteros in Tegucigalpa and send him to the U.S.; Matta, who is wanted in the U.S. on several criminal charges, is suspected of complicity in the 1985 murder of a U.S. Drug Enforcement Agency (DEA) agent in Mexico.

April 8—President José Azcona Hoyo declares a state of emergency in Tegucigalpa and in San Pedro Sula after 2 days of anti-American riots. The violence was triggered by the arrest and deportation of Juan Ramón Matta Ballesteros.

April 13—The state of emergency imposed on April 8 is lifted by the government.

## INDIA

(See *U.S., Foreign Policy*)

## IRAN

(See *Intl, International Terrorism, Iran-Iraq War; Saudi Arabia; U.S., Foreign Policy*)

## IRAQ

(See *Intl, Iran-Iraq War*)

## ISRAEL

(See also *Tunisia; U.S., Foreign Policy*)

April 2—Six Palestinian demonstrators die in clashes with Israeli military forces in Gaza, the West Bank and Bethlehem, marking the highest 1-day death toll since the violent protests began in December, 1987.

April 6—The Israeli army says that a 15-year-old Israeli girl, Tizra Porat, was stoned to death by Palestinians in the West Bank town of Beita.

April 8—The Israeli army reports that Tizra Porat died when she was struck accidentally in the head by a bullet fired by an Israeli guard.

April 11—An army spokesman says that 8 Palestinians have been deported to southern Lebanon because they were "leading activists in terrorist organizations." In addition, Israel orders the expulsion of 12 other Palestinians for similar reasons.

April 12—Demonstrations against the deportation of Palestinians on April 11 result in the wounding of 40 Palestinians in the Gaza Strip.

April 16—In the occupied territories, at least 17 Palestinians die in violent confrontations with Israeli military forces. The massive protests were triggered by reports of the assassination of PLO leader Khalil Wazir in Tunisia today.

April 17—According to Associated Press sources, the assassination of PLO leader Khalil Wazir was accomplished by an

8-man Israeli commando unit. Israeli officials have refused either to deny or confirm Israel's involvement in Wazir's murder.

April 18—An Israeli court finds John Demjanjuk guilty of committing war crimes as a Nazi death camp guard.

April 19—Israel deports 8 of the 12 Palestinians it had ordered expelled on April 11.

April 24—Speaking before the Israeli Cabinet, Defense Minister Yitzhak Rabin says that 165 Palestinians have died since the start of the violent confrontations between Palestinians and Israeli security forces in December, 1987.

April 25—Convicted Nazi war criminal John Demjanjuk is sentenced to death by hanging. This is the 1st death sentence issued by an Israeli court since the execution of Adolph Eichmann in 1962.

### ITALY

April 11—Prime Minister-designate Ciriaco de Mita, leader of the Christian Democratic party, announces that he has formed a coalition government.

April 14—A bomb explodes outside a USO serviceman's club in Naples, killing at least 5 persons and wounding some 15 others.

### JAPAN

(See *U.S., Foreign Policy*)

### KOREA, SOUTH

April 1—The South Korean government issues a statement that apologizes for its handling of the violent Kwangju uprising in 1980. In addition, the government offers to compensate the victims of the violence. At least 191 people died when soldiers put down the antigovernment riot in Kwangju in May, 1980.

April 13—Former President Chun Doo Hwan resigns his last remaining public and political positions because of an embezzlement scandal involving his brother.

April 26—In today's parliamentary election, President Roh Tae Woo's Democratic Justice party loses its majority in the National Assembly for the 1st time in the history of the South Korean republic. The Democratic Justice party now controls 125 seats, while the opposition parties of Kim Dae Jung and Kim Young Sam control 70 seats and 59 seats, respectively.

### KUWAIT

(See *Intl, International Terrorism*)

### LEBANON

(See also *Intl, International Terrorism*)

April 23—In Tripoli, a car bomb is detonated at a vegetable market, killing 69 people and wounding 111. No group claims responsibility for the act.

### NICARAGUA

(See *Intl, Central American Peace Plan*)

### PAKISTAN

(See also *Intl, UN*)

April 10—Explosions destroy a large ammunition depot located in a densely populated area between Islamabad and Rawalpindi, resulting in the death of at least 75 people.

### PANAMA

(See also *U.S., Foreign Policy*)

April 25—Manuel Solís Palma, Panama's acting President, realigns his Cabinet, replacing 7 of its 12 ministers.

April 26—The government allows Panamanian banks to resume limited operations, but still forbids banks to permit customers to withdraw cash.

April 28—At least 12 members of the government opposition movement are arrested by military forces. The arrests are believed to be in response to a protest scheduled for April 29 that will be staged by groups opposed to the rule of Panama's de facto leader, General Manuel Antonio Noriega.

### PHILIPPINES

April 2—The military says that former Colonel Gregorio Honason, who led an attempted coup against the government in August, 1987, has escaped from detention. Honason was captured in December, 1987, and placed aboard a prison ship to await court-martial.

### POLAND

April 25—In the northern city of Bydgoszcz, a labor union stages a wildcat strike. The strike is settled later in the day when the workers receive a 63 percent pay increase.

April 26—Workers at the Lenin steelworks near Krakow go on strike, demanding higher pay; at the steel and machine building works at Stalowa Wola, workers issue a strike alert.

April 27—Labor leader Lech Walesa says that the outlawed Solidarity union offers "full support" for the recent strikes in Poland.

April 30—A 1-day strike at the plant in Stalowa Wola ends when workers accept a government pay-raise offer. The strike at the Lenin steelworks, however, enters its 5th day as negotiations reach an impasse.

### SAUDI ARABIA

April 26—Saudi Arabia announces that it has severed its diplomatic relations with Iran.

April 28—In an interview in a Saudi newspaper, King Faud says that Saudi Arabia would not hesitate to use its recently acquired Chinese-made missiles against Iran.

### SOMALIA

(See *Ethiopia*)

### SOUTH AFRICA

April 21—Addressing Parliament, President P. W. Botha agrees in principle to constitutional reforms that would allow blacks to participate in South Africa's legislative and presidential elections. President Botha's proposals, however, fall far short of demands by blacks and anti-apartheid groups.

### SYRIA

(See also *Intl, International Terrorism*)

April 18—Syrian President Hafez Assad agrees to allow the burial of slain PLO leader Khalil Wazir in Damascus.

April 20—Thousands of Palestinians attend the funeral of Khalil Wazir in the largest PLO refugee camp in Damascus.

April 24—PLO leader Yasir Arafat arrives in Syria for talks with President Assad. Arafat and Syria have been at odds since 1983, when the Syrian government expelled Arafat from Syria.

### THAILAND

(See *Intl, UN*)

### TUNISIA

(See also *Intl, UN*)

April 16—Khalil Wazir, the 2d most powerful figure in the PLO, is assassinated at his home in Tunis. The PLO blames Israel for the killing of Wazir, who was also known as Abu Jihad.

### UNITED ARAB EMIRATES

(See *Intl, Iran-Iraq War*)

**U.S.S.R.**

(See also *Intl, UN; Afghanistan; U.S., Foreign Policy*)

- April 3—The Soviet news agency Tass says that Foreign Minister Eduard Shevardnadze has arrived in Afghanistan for discussions with the Afghan government about the recent setbacks in the UN-sponsored Geneva peace talks.
- April 6—General Secretary Mikhail Gorbachev meets with Afghan government leader Najibullah in the Soviet Central Asian republic of Uzbekistan.
- April 7—General Secretary Gorbachev and Afghan leader Najibullah issue a joint statement saying that the Soviet Union will start to withdraw its troops from Afghanistan on May 15 if a settlement is reached at the Geneva talks "in the shortest period."
- April 21—Sources reveal that the powers of the 2d most powerful leader in the Soviet Union, Yegor Ligachev, were curtailed at a special Politburo session on April 19. According to reports, Ligachev was forced to relinquish his role as supervisor of all press and television activities and was ordered to take a 2-month vacation.
- April 22—Yegor Ligachev appears in public with General Secretary Gorbachev, dispelling rumors of Ligachev's fall from power in the Communist party.
- April 24—The newspaper *Pravda* publishes a report in which it is highly critical of the present management of the Chernobyl nuclear power plant. *Pravda* accuses the plant managers of nepotism, safety abuses and financial irregularities.
- April 29—General Secretary Gorbachev holds a public reception at the Kremlin for leaders of the Russian Orthodox church. Gorbachev calls for more religious tolerance at the end of the meeting, which is the 1st direct public meeting between a Soviet leader and Russian Orthodox leaders since September, 1943.

**UNITED STATES****Administration**

- April 5—Attorney General Edwin Meese 3d recommends the appointment of former president of the American Bar Association John C. Shepherd as deputy attorney general.
- April 13—President Ronald Reagan says that he never noticed the quotes attributed to him by former White House press spokesman Larry Speakes.
- April 17—Secretary of Transportation James Burnley announces that the Federal Aviation Administration (FAA) will begin a detailed safety inspection of all Eastern Airlines and Continental Airlines planes.
- April 20—John C. Shepherd withdraws his name as a nominee for the post of deputy attorney general.
- April 23—The FAA ban on smoking on all flights less than 2 hours long takes effect today.
- April 24—In a report to be presented to President Ronald Reagan on April 26, Education Secretary William Bennett concludes that, despite a 5-year program, the educational performance of U.S. schools remains "unacceptably low" and that academic standards have barely improved over 5 years.

**Economy**

- April 1—The Labor Department reports that the nation's unemployment rate declined to 5.5 percent in March.
- April 12—The New York Stock Exchange's Dow Jones Industrial Average of 30 blue-chip stocks rises to 2,110.08, its highest level since the October, 1987, crash.
- April 14—The Commerce Department reports that the U.S. foreign trade deficit rose to \$13.8 billion in February.
- In response to the news about the foreign trade deficit, the Dow Jones Industrial Average falls 101 points to 2,005.64.
- April 15—The Labor Department announces that its producer price index rose 0.6 percent in March.

- April 20—The Labor Department reports that its consumer price index rose 0.5 percent in March.
- April 26—The Commerce Department says that the nation's gross national product (GNP) grew at an annual rate of 2.3 percent in the 1st quarter of 1988.
- April 29—The Commerce Department reports that its index of leading economic indicators rose 0.8 percent in March.

**Foreign Policy**

(See also *Intl, Iran-Iraq War, UN; Afghanistan; Canada; El Salvador; Honduras*)

- April 1—U.S. trade representative Clayton Yeutter says that the U.S. will restore some \$1.1 billion in tariffs on duty-free goods shipped by 140 third-world countries.
- The Defense Department announces that it will send an additional 1,300 troops to Panama.
- April 3—In Israel, Secretary of State George Shultz insists that Israel and its Arab neighbors must consider the exchange of Israeli-held territory for peace, as suggested in UN resolution 242 of November, 1967.
- April 4—The administration informs Congress that it is planning to sell 75 F-16 fighter planes worth some \$2 billion to Israel.

Defense Secretary Frank Carlucci arrives in India for talks about U.S.-Indian military cooperation.

- April 6—President Ronald Reagan refuses a Japanese request for limited fishing rights in U.S. waters because of the Japanese violation of an international moratorium on whaling declared by the International Whaling Commission.
- April 8—President Reagan announces new economic sanctions against Panama, ordering U.S. citizens and businesses to halt all payments to the government of Panama.
- Secretary George Shultz ends his latest 6-day Middle East peace-seeking mission with little progress to report.
- April 11—President Ronald Reagan announces agreement with the Soviet Union over the terms of the Soviet withdrawal from Afghanistan, saying "I believe that the U.S. can now join the Soviet Union as a guarantor of the Geneva instrument."

- April 13—U.S. Marines engage in 2 hours of skirmishing with 50 invaders at a Navy fuel dump near Panama City; no casualties are reported.
- April 14—In Geneva, Secretary Shultz signs the 4-nation accords providing for the withdrawal of Soviet forces from Afghanistan and for a new nonaligned Afghan state; the Soviet forces are to begin to withdraw on May 15.
- April 15—The Defense Department reports finding and destroying 2 mines, believed of Iranian origin, near where the *Samuel B. Roberts* was damaged earlier in the week.
- April 21—President Reagan denounces the Ethiopian government for impeding the shipment of food supplies to its famine-stricken northern provinces.

The U.S. and Israel sign a new 5-year agreement to cooperate on a wide range of economic, military, political and intelligence matters.

- April 27—President Reagan meets with Canada's Prime Minister Brian Mulroney in Washington, D.C.; he approves the Canadian purchase of 10 to 12 U.S. nuclear submarines.
- April 28—Presidential spokesman Marlin Fitzwater says that the U.S. still wants Panamanian de facto leader Manuel Noriega removed from power, but that it will allow Noriega to remain in Panama.

**Labor and Industry**

- April 28—The Ford Motor Company reports the largest ever quarterly profits for an American automobile company—\$1.62 billion for the 1st quarter of 1988.

**Legislation**

- April 12—Senator Robert Byrd (D., W.Va.) announces that



he will retire as Senate majority leader at the end of 1988.

April 20—In a voice vote, the Senate passes the newly expanded education bill; the House passed the bill on April 19 by a vote of 397 to 1.

April 21—By a vote of 312 to 107, the House approves trade legislation designed to overhaul U.S. trade practices; one provision requires U.S. industries to provide 60 days' notice to workers of layoffs or plant closings.

April 27—The Senate votes 63 to 36 in favor of the trade legislation, but there are fewer yes votes than needed to override an expected presidential veto.

### **Military**

April 20—The U.S. Air Force releases sketches of its Stealth bomber. The bomber is due to make its maiden flight in the fall of 1988.

### **Political Scandal**

April 1—Special prosecutor James McKay says that, "based on the evidence developed to date," he lacks grounds to seek an indictment of Attorney General Edwin Meese 3d.

April 8—Former White House political director Lyn Nofziger is sentenced to 90 days in prison and fined \$30,000 for his illegal lobbying activities.

### **Politics**

April 4—The Arizona state senate votes by 21 to 9 and by 26 to 4 to convict Governor Evan Mecham on 2 charges of misconduct and remove him from office; Mecham becomes the 1st governor in the U.S. to be impeached and removed from office in 60 years.

April 5—In the Wisconsin Democratic primary, Massachusetts Governor Michael Dukakis defeats civil rights activist Jesse Jackson; this follows his close victory over Jackson in the Colorado Democratic caucuses April 4.

April 6—Former religious broadcaster Pat Robertson announces he is no longer an active candidate for the Republican presidential nomination.

April 7—Senator Paul Simon (D., Ill.) suspends his efforts to win the Democratic presidential nomination.

April 16—Governor Dukakis defeats Jesse Jackson in the Arizona Democratic caucus.

April 17—In the New York State Democratic primary, Dukakis receives about 50 percent of the vote, while Jackson receives 37 percent and Senator Albert Gore (D., Tenn.) receives 10 percent.

April 20—Senator Gore withdraws as a candidate for the Democratic presidential nomination.

April 26—In the Utah Democratic caucuses, Dukakis wins 71 percent of the vote, compared to Jackson's total of 16 percent.

In the Pennsylvania Democratic primary, Dukakis wins 65 percent of the vote. Jackson finishes 2d with 30 percent of the vote.

### **Science and Space**

April 12—The U.S. Patent and Trademark Office, in what it calls a "singularly historic event," issues a patent to Harvard University for a type of mouse genetically engineered by Harvard scientists.

### **Supreme Court**

April 19—The Supreme Court rules 8 to 0 to overturn a lower court decision, thus permitting Puerto Rico or any state to regulate the price being charged for gasoline.

April 20—The Court upholds a tax revision passed in 1982 by Congress that will allow Congress to tax the interest on local and state government bonds, which have heretofore been considered tax-free on the federal level.

April 25—The Court votes 5 to 4 to consider overruling a 1976 decision expanding the rights of minorities to sue private parties for racial discrimination. Congress passed the original series of laws shortly after the Civil War.

### **VIETNAM**

(See *Intl, UN*)

### **ZIMBABWE**

April 18—President Robert Mugabe announces an amnesty plan for rebels who have been fighting the present government since 1982.

## **May, 1988**

### **INTERNATIONAL**

#### **Arms Control**

(See *Intl, Moscow Summit*)

#### **Central American Peace Plan**

May 1—The Nicaraguan Sandinista government and the contras conclude a 3-day negotiating session over a peace accord.

May 25—Nicaragua's Sandinista government and the contra rebels agree to resume peace talks; the 3d round of talks, to be held in Managua, may begin as early as May 26.

May 26—Sandinista-contras talks open in Managua. The contras offer a 2-month extension of the present cease-fire in exchange for wide-ranging political changes; however, the offer is categorically rejected by the Sandinistas.

May 28—Nicaraguan Defense Minister Humberto Ortega Saavedra says that Nicaragua will be willing to enact some of the political reforms demanded by the contras.

The talks in Managua conclude, with both sides agreeing to extend the cease-fire in Nicaragua until discussions resume on June 7 in Managua.

#### **International Monetary Fund (IMF)**

(See *Yugoslavia*)

#### **Iran-Iraq War**

May 14—As a result of the bombing of an Iranian offshore oil

terminal in the Strait of Hormuz, Iraqi planes set fire to 5 oil tankers, including the world's largest, the 564,739-ton *Seawise Giant*; Iraq claims that this is its 10th attack on Iranian oil targets since April 29.

May 15—Iraq reports damage to another supertanker in a raid off the coast of Iran.

Iran claims that the U.S. helped facilitate the raid of May 14 on Iran's Larak Island oil terminal by jamming Iranian radar and radio.

May 18—Iran claims to have attacked a Japanese tanker in the Strait of Hormuz; additionally, Iran claims to have killed 2,000 Iraqis in the ground war in northern Iraq.

May 19—For the 2d day, Iranian gunboats attack tankers in the Strait of Hormuz.

May 25—Iraq claims to have regained territory lost to Iran 1 year ago south of the Iraqi port city of Basra.

#### **Moscow Summit**

May 28—U.S. and Soviet negotiators fail to agree on all the low-level arms control agreements.

U.S. President Ronald Reagan's advisers say he will make human rights "agenda item number one" at the Moscow summit, which begins May 29.

President Reagan is heard in a 34-minute address over Soviet television; the speech was taped last week in Washington, D.C.

May 29—President Reagan and Soviet General Secretary Mikhail Gorbachev open their summit meeting in Moscow; General Secretary Gorbachev expresses annoyance that President Reagan is pressing him about human rights in the Soviet Union.

May 30—In Moscow, President Reagan meets with 96 Soviet dissidents and their families.

President Reagan and General Secretary Gorbachev disagree sharply over human rights issues. President Reagan calls for increased civil and religious rights in the Soviet Union; General Secretary Gorbachev says that the U.S. and the Soviet Union can improve their relationship without lecturing one another.

U.S. and Soviet arms control negotiators meet but expect no major breakthroughs.

May 31—President Reagan makes a series of speeches in Moscow to various Soviet cultural groups and asks Soviet citizens to support broad changes.

General Secretary Gorbachev, meanwhile, expresses his displeasure at the slow pace of arms control negotiations.

The U.S. and the Soviet Union reach an agreement in principle for an increase in their high school student exchange program.

Two minor arms control agreements are signed dealing with advanced notification of ballistic missile launchings and monitoring limits on nuclear testing.

#### **North Atlantic Treaty Organization (NATO)**

(See also *Denmark*)

May 26—NATO defense ministers vote to ask Italy formally to base 72 U.S. F-16 fighters being forced to move from their Spanish bases. NATO agrees to pay for the cost of the move and the establishment of the new bases in Italy.

#### **Organization for Economic Cooperation and Development (OECD)**

May 19—The U.S. and the other OECD countries end 2 days of talks and agree to push for "a framework approach" to deal with the problem of farm subsidies (whose total in the 24 industrial democracies reaches some \$200 billion annually) by the end of the year.

#### **Organization of Petroleum Exporting Countries (OPEC)**

May 1—At the end of 4 days of talks in Vienna, the 13 OPEC countries and the non-OPEC oil-producing nations fail to agree on proposals to reduce oil production in an effort to stabilize and increase oil prices.

#### **United Nations (UN)**

May 11—Prince Sadruddin Aga Khan is appointed by the UN to coordinate international relief and resettlement efforts in Afghanistan as the Soviet Union begins its military withdrawal from that country.

May 31—Secretary General Javier Pérez de Cuéllar receives permission from the Ethiopian government to station UN monitors for the food distribution program in northern Eritrea and Tigre provinces.

#### **AFGHANISTAN**

(See also *Intl, UN; U.S.S.R.*)

May 4—Afghan government leader Najibullah arrives in India for 3 days of talks with the Indian government.

#### **ALGERIA**

May 16—Algerian government spokesman say that Algeria and Morocco have restored diplomatic relations. The 2 nations broke off relations in 1976.

#### **ANGOLA**

(See *South Africa; U.S., Foreign Policy*)

#### **BENIN**

(See *U.S., Foreign Policy*)

#### **CAMBODIA**

(See *Vietnam*)

#### **CUBA**

(See *South Africa; U.S., Foreign Policy*)

#### **DENMARK**

May 10—As a result of today's election, the minority coalition of Prime Minister Poul Schlüter retains enough votes to remain in power. However, the Schlüter government fails to receive a public mandate approving Denmark's membership in NATO, which was the issue that triggered the election.

#### **ECUADOR**

May 8—Democratic Left party candidate Rodrigo Borja Cevallos defeats former Guayaquil Mayor Abdalá Bucaram Ortiz in Ecuador's presidential runoff election. Borja will succeed President León Febres Cordero on August 10.

#### **ETHIOPIA**

(See *Intl, UN*)

#### **FRANCE**

May 1—At a political rally in Paris, right-wing leader Jean-Marie Le Pen asks the members of his National Front party to oppose President François Mitterrand in the upcoming presidential runoff election.

May 4—Prime Minister Jacques Chirac says that 3 French hostages held in Lebanon since March, 1985, have been released; the announcement is expected to improve the chances of Prime Minister Chirac's candidacy in this month's presidential runoff election.

May 8—President François Mitterrand defeats Prime Minister Jacques Chirac in the presidential runoff election. President Mitterrand receives 54 percent of the vote, becoming the first French President to win election twice by popular vote since the present republic was established.

May 10—Jacques Chirac resigns as Prime Minister; his neo-Gaullist faction suffers its worst defeat in 30 years in the May 8 presidential election. President Mitterrand names Michel Rocard to replace Chirac.

May 14—President Mitterrand dissolves the National Assembly and asks for a new round of elections to take place in June.

May 18—France says that it is restoring diplomatic relations with Iran; the French government had offered the restoration of relations to Iran as an inducement to win the release of 3 French hostages from captivity in Lebanon.

#### **New Caledonia**

May 5—After an 8-hour siege, French commandos rescue 23 hostages that had been kidnapped in April by a Melanesian separatist group; the government reports that 2 commandos and 15 kidnappers died in the fighting.

#### **GERMANY, WEST**

(See also *Norway*)

May 17—West Germany says that Mohammed Ali Hamadei, who is accused of the 1985 hijacking of a U.S. jet airliner in Lebanon, will be tried in a West German juvenile court; the jurisdiction of Hamadei's trial had been in dispute since his age is in question.

#### **GUATEMALA**

May 11—A group of young Army officers attempt to over-

throw Guatemala's civilian government, but they are persuaded to back down by senior military officials.

May 14—Defense Minister General Héctor Gramajo says that 6 military officers have been arrested in connection with the May 11 coup attempt.

## HUNGARY

(See also *Israel*)

May 2—Prime Minister Karoly Grosz announces that a special meeting of the Hungarian Communist party's Central Committee will be held on May 20; Grosz says that the main issues to be discussed will be the role of the Communist party in Hungary's economy and the possibility of choosing a successor to 75-year-old General Secretary Janos Kadar, who has led Hungary since 1956.

May 11—The Communist party announces that every member of the 102-member Central Committee must stand for reelection at the special May 20 conference.

May 22—The special 3-day Communist party congress closes in Budapest after making major changes in Hungary's leadership; Prime Minister Karoly Grosz replaces Janos Kadar as party leader. Kadar is dropped from the Politburo and effectively retired to the new post of party president. Many of Kadar's supporters in the Politburo are replaced by advocates of economic reform.

## ICELAND

May 10—By a vote of 13 to 8, the Parliament agrees to rescind the 75-year-old ban on the sale of beer in Iceland.

## INDIA

(See also *Afghanistan*)

May 13—Indian military forces enter the holy shrine of the Golden Temple at Amritsar in an attempt to dislodge Sikh militants who have occupied the complex since May 9. At least 20 people have died in fighting between the Sikhs and Indian troops since the siege of the temple began.

May 15—Most of the Sikh separatists under siege at the Golden Temple surrender to Indian forces.

May 16—In the northern state of Punjab, police say that, in the last 2 days, 23 people have been killed in attacks credited to Sikh militants.

May 17—The Indian forces at the Golden Temple take control of most of the temple, isolating the Sikhs in the basement of the complex.

May 18—The rest of the Sikh militants at the Golden Temple surrender to Indian forces.

May 21—Press reports say that in response to the end of hostilities at Amritsar, a new wave of Sikh-inspired violence erupted in Punjab on May 20; 45 people died and another 100 were wounded in the altercations.

## IRAN

(See *Intl, Iran-Iraq War*)

## IRAQ

(See *Intl, Iran-Iraq War*)

## ISRAEL

(See also *U.S., Foreign Policy*)

May 2—The Israeli Army announces that it is sending troops into southern Lebanon in pursuit of guerrillas from the Palestine Liberation Organization (PLO). Israel claims it is taking such action because of "increasing attempts" by PLO guerrillas to enter Israel and kidnap Israeli citizens.

May 3—Israeli military forces begin house-to-house searches in southern Lebanon; news sources say that between 1,000 and

2,000 soldiers may be involved in the action.

May 4—Israeli forces skirmish with members of the pro-Iranian Hezbollah militia in southern Lebanon; the Israeli government reports that 3 Israelis and 40 Palestinians have died in the fighting.

The Israeli government announces that it has ended its latest intervention into Lebanon.

May 8—Palestinian-American civil disobedience advocate Mubarak Awad appeals his scheduled deportation to Israel's Supreme Court; Awad, who was born in Jerusalem but is a U.S. citizen, has been accused by Israeli officials of being a leader in the recent Palestinian uprisings in the West Bank, Gaza and Jerusalem.

May 9—Israeli Foreign Minister Shimon Peres visits Hungary and meets with senior Hungarian political officials; Peres's visit is the 1st by a high-ranking Israeli official to a Communist nation since the 1967 Arab-Israeli war.

May 25—Israeli military forces and Lebanese Christian militia attack Hezbollah positions in the southern Lebanese town of Luwiza.

## ITALY

(See *Intl, NATO*)

## JAPAN

(See *Intl, Iran-Iraq War; U.S., Foreign Policy*)

## KOREA, NORTH

(See *Korea, South*)

## KOREA, SOUTH

May 1—The Foreign Ministry reports that a North Korean intelligence officer is seeking asylum in South Korea through a "certain European country." The officer, Kim Jeong Min, would be the highest-ranking North Korean defector to South Korea since the Korean War.

May 20—Student demonstrators attack the U.S. embassy in Seoul in the latest of 3 days of protests marking the 8th anniversary of the Kwangju uprising; authorities estimate that 32,000 protesters have participated in demonstrations in 34 different locations within South Korea.

May 30—South Korea's National Assembly convenes in Seoul; the opposition parties control the majority of seats for the 1st time in the history of the South Korean republic.

## LEBANON

(See also *France; Germany, West; Israel*)

May 7—Lebanese authorities say that 67 people have died since May 6 in clashes between the Amal and Hezbollah militias in Beirut.

May 8—After a brief cease-fire, the rival Shiite militias resume their fighting in southern Beirut; the latest death toll in the hostilities stands at 125 people dead.

May 15—A force of 6,000 Syrian soldiers seals off the area of fighting between rival Shiite factions in southern Beirut, demanding that the militias end hostilities; Lebanese officials say that a total of 250 people have died as a result of the 10 days of fighting between the Amal and Hezbollah factions.

May 23—Fighting between the Amal and Hezbollah forces resumes when cease-fire talks collapse in Beirut.

May 27—Syrian troops enter southern Beirut to enforce the latest cease-fire in the fighting between Shiite forces; members of the Amal and Hezbollah movements reportedly reached a truce agreement on May 25 in discussions held in Syria.

## LIBYA

(See *U.S., Foreign Policy*)



**MOROCCO**(See *Algeria*)**NAMIBIA**(See *U.S., Foreign Policy*)**NICARAGUA**(See *Intl, Central American Peace Plan*)**NORWAY**

May 4—The Norwegian Foreign Ministry says that it is beginning a criminal investigation into the disappearance of a large amount of Norwegian heavy water; the ministry says the inquiry will focus on a shipment of heavy water to a West German company in December, 1983.

May 24—Officials in Norway say that a 2d shipment of heavy water, originally destined for Romania, may have been delivered by Romania to a 3d party.

**OMAN**(See *U.S., Foreign Policy*)**PAKISTAN**

May 23—*The New York Times* says that unidentified U.S. officials believe Pakistan test-fired a short-range missile in April, 1988, that is capable of delivering a nuclear payload.

May 29—President Mohammed Zia ul-Haq announces that he has dismissed Prime Minister Mohammed Khan Junejo and his Cabinet and has dissolved the National Assembly. President Zia says that on May 30 he will appoint a caretaker government until elections are held within 90 days.

**PANAMA**(See also *U.S., Foreign Policy*)

May 9—Banks in Panama officially reopen for limited withdrawals under government-imposed constraints.

**PERU**

May 15—President Alan García appoints a new Cabinet and names Armando Villenueva as Prime Minister; Peru's previous Cabinet resigned on May 11.

**PHILIPPINES**

May 4—President Corazon Aquino says that she will not allow former Philippine leader Ferdinand Marcos into the country to attend the funeral of Marcos's mother; Marcos appealed to President Aquino several times to be allowed to return to the Philippines during his mother's illness.

**POLAND**(See also *Vatican*)

May 1—An estimated 200 protesters are arrested in nationwide May Day demonstrations in support of the recent labor unrest in Poland. The protests were called by the outlawed labor union Solidarity.

May 2—At the Lenin shipyard in Gdansk, thousands of workers go out on strike and ask for higher wages. In response, the government arrests 9 members of the 13-member executive committee of Solidarity.

May 3—Solidarity founder Lech Walesa says that the Polish government must institute economic reform in order to forestall the spread of labor unrest. However, the government remains firm in its commitment not to negotiate with or legally recognize Solidarity.

May 5—The 10-day-old strike at the Nowa Huta steel mill in Krakow ends when government troops raid the plant.

May 6—In a statement released today, Poland's Roman Catholic bishops condemn the government's use of violence to put

down the strike at the Nowa Huta steel mill.

May 9—The strikers at Gdansk's Lenin shipyard reject a settlement offer from management; the strikers insist that the Polish government recognize the legitimacy of Solidarity.

May 10—The strike at Gdansk ends after 9 days without an agreement between labor and management. Although the demand of the strikers for a pay raise was met, the government did not agree to recognize Solidarity.

**ROMANIA**(See *Norway*)**SOUTH AFRICA**(See also *U.S., Foreign Policy*)

May 11—The government announces that it has arrested 4 white guerrillas who may be members of the outlawed African National Congress and that the guerrillas possessed the largest illegal arms supply ever found in South Africa.

May 13—South African and Angolan representatives meet in the Congo to discuss a peace accord that would end the 13-year-old Angolan civil war; both sides agree to attend a conference that will include representatives from the U.S. and Cuba.

**SPAIN**(See *Intl, NATO*)**SRI LANKA**

May 1—At least 26 people are killed and 30 people are wounded when a passenger bus explodes outside Sittaru; most of the victims are Sinhalese and the explosion is believed to be the work of Tamil militants.

May 10—The Sri Lankan government signs a peace agreement with the People's Liberation Front, a Sinhalese guerrilla movement. The People's Liberation Front has conducted a militant campaign since July, 1987, to protest the signing of an agreement between the government and Tamil separatists.

**SYRIA**(See *Lebanon*)**U.S.S.R.**(See also *Intl, Moscow Summit, UN; U.S., Foreign Policy; Vatican*)

May 8—In Moscow, police arrest 20 members of a dissident group meeting publicly to establish a 2d political party, the Democratic Union party, in the U.S.S.R.

May 9—Independent magazine publisher Sergei Grigoryants, who had been linked to the Democratic Union party, is detained by Soviet authorities.

May 10—The news agency Tass reports that in a recent speech to newspaper editors General Secretary Mikhail Gorbachev asked the press to temper its debate over the merits of Gorbachev's perestroika policy of economic reform.

May 12—Western sources say that Soviet military forces in Afghanistan have begun to withdraw to the Soviet-Afghan border.

May 15—A convoy of 1,200 Soviet soldiers begins its withdrawal from Afghanistan. Soviet officials say that they hope to withdraw 25 percent of the Soviet force in Afghanistan by the end of May.

May 17—U.S. officials say that a major explosion at the U.S.S.R.'s rocket propellant plant near Pavlograd occurred on May 12; Western experts believe that the incident may set back the production of Soviet SS-24 nuclear missiles by as much as 6 months.

May 18—The 1st Soviet unit to leave Afghanistan crosses into the Soviet Union.

According to radio reports, ethnic unrest has been renewed in Armenia and Azerbaijan, triggered by a violent conflict between the 2 ethnic groups in the Armenian city of Ararat on May 15.

May 21—Tass says that Armenian Communist party leader Karen Demirchyan and Azerbaijan party leader Kyamran Bagirov have been removed from their positions "for reasons of health." Suren Arutyunyan will become the party leader in Armenia and Abdul Rahman Vezirov is named as party chief of Azerbaijan. The party leaders' ouster comes amid renewed civil disturbances in Armenia and Azerbaijan.

May 25—The Soviet government releases its 1st public estimate of Soviet war casualties in Afghanistan: 13,310 dead, 35,478 wounded, and 311 missing.

May 26—The Central Committee of the Communist party makes public a series of proposals that would limit the terms of office of Communist party and government officials and would subject legislators to election by secret ballot. The proposals are expected to form the agenda for the special party conference in June.

## UNITED KINGDOM

### Great Britain

May 1—In the Netherlands, a British air force engineer is shot to death and 30 minutes later 2 British servicemen die as the result of a bomb blast; the Irish Republican Army (IRA) claims responsibility for both attacks.

## UNITED STATES

### Administration

May 3—Presidential spokesman Marlin Fitzwater confirms the interest of President Ronald Reagan and his wife, Nancy Reagan, in astrology.

The President says that "no policy or decision in my mind has ever been influenced by astrology."

May 4—Secretary of Health and Human Services Otis R. Bowen reports that the government will mail an information pamphlet about Acquired Immune Deficiency Syndrome (AIDS) to each of the 107 million American families that have a mailing address.

The U.S. amnesty program to allow aliens to remain in this country ends today; it is estimated that 1.5 million aliens will be legalized and the presence of some 0.5 million additional seasonal agricultural workers will be temporarily legalized.

May 6—President Ronald Reagan says he doesn't "look kindly" on ex-White House Chief of Staff Donald Regan's new book, *For the Record*, which attacks Nancy Reagan and details her interest and that of the President in astrology.

May 8—The Justice Department reports that violent crime in the U.S. decreased 21 percent from 1980 through 1984; West Europe's crime rates were lower than those in the U.S., according to the report.

May 10—The Census Bureau reports that the rate of black high school students, 18 years to 21 years of age who drop out before graduation declined from 27 percent in 1975 to 17 percent in 1985; the high school graduation rate of black students has increased from 61 percent to 71 percent in the last decade.

May 16—Attorney General Edwin Meese 3d fires his chief spokesman, Terry Eastland, for not defending Meese's actions vigorously.

May 17—President Reagan reiterates his "complete confidence" in Attorney General Edwin Meese 3d.

President Reagan says he "has not tied my life to it [astrology]"; he says, "but . . . I don't know enough about it to say, 'is there something to it or not.'"

May 18—President Reagan calls for an "executive-legislative task force" to make proposals to control drugs. In a campaign speech, Vice President George Bush urges tough measures to combat the drug problem.

### Economy

May 1—The Commerce Department revises its report of leading economic indicators to say that its index rose 1.3 percent in February; the department reports that the index rose 0.8 percent in March.

May 6—The Labor Department reports that the nation's unemployment rate declined to a 14-year low of 5.4 percent in April.

May 10—Five large Wall Street brokerage houses announce the suspension of computerized program trading for their own accounts in an effort to restore public confidence in the stability of the stock market.

May 11—Most major banks raise their prime rate to 9 percent.

May 13—The Labor Department reports that its producer price index rose 0.4 percent in April.

May 17—The Commerce Department reports that the U.S. foreign trade deficit fell sharply to \$9.7 billion in March.

May 20—The Labor Department reports that its consumer price index rose 0.4 percent in April.

May 26—The Commerce Department reports that the nation's gross national product (GNP) rose at an annual rate of 3.9 percent in the 1st quarter of 1988; previously it had been reported at a 2.3 percent rate.

### Foreign Policy

(See also *Intl, OECD, Moscow Summit, NATO; Israel; Korea, South; Pakistan; South Africa; U.S.S.R.*)

May 4—In a Chicago speech, President Ronald Reagan says: "We applaud the changes that have taken place [in the Soviet Union's improved human rights record] and encourage the Soviets to go farther."

Assistant Secretary of State for African Affairs Chester A. Crocker says that hopeful signs emerged from a 2-day meeting in London with representatives of the U.S., South Africa, Cuba and Angola aimed at ending the war in Angola and making Southwest Africa (Namibia) independent.

May 11—U.S. Ambassador to Oman G. Cromwell Montgomery asks Congress to reconsider selling Stinger missiles to Oman; he asks for a "limited exception" to the law so that Congress can approve the sale of the missiles to Oman.

May 12—Secretary of State George Shultz announces "a completely satisfactory agreement" on the outstanding differences over verification procedures for the new INF (intermediate nuclear forces) accord that is now awaiting ratification in the Senate.

May 17—President Reagan meets with Israeli Foreign Minister Shimon Peres and praises Peres for his "positive attitude toward peace." The President is apparently referring to Israeli Prime Minister Yitzhak Shamir, saying that "those leaders who are negative, consistently reject new ideas and fail to exploit realistic opportunities to bring about negotiation."

At a brief White House news conference, President Reagan says he will not "back away from what we are trying to do" in removing General Manuel Noriega as de facto leader of Panama.

May 18—Head of the Joint Chiefs of Staff Admiral William Crowe Jr. says that he believes Noriega will leave eventually, "although not as quickly as we would prefer."

May 19—The State Department accuses Benin and its President, Brigadier General Mathieu Kerekou, of allowing Benin to be "used as a base for Libyan state-supported terrorism" despite Libyan denials.

May 23—President Ronald Reagan sends State Department

negotiator Michael Kozak back to Panama to continue to try to induce Noriega to leave the country.

May 25—Secretary of State George Shultz announces that President Reagan has told him to recall the State Department representative negotiating with Noriega and to halt further negotiations to oust Noriega.

President Reagan arrives in Finland on his way to the Moscow summit.

May 27—In Helsinki, President Reagan calls on Soviet General Secretary Mikhail Gorbachev to improve the Soviet human rights record, saying: "Soviet practice does not—or does not yet—measure up to Soviet commitment."

May 28—The State Department tells the Immigration and Naturalization Service that its lawyers have concluded that thousands of Armenians are being accepted as refugees without a finding that they have "a well-founded fear of persecution" in the Soviet Union.

### Labor and Industry

May 4—The United Auto Workers (UAW) and the Chrysler Corporation reach agreement on a new 28-month labor contract for 60,000 union members, which will give the workers limited wage increases and greater job security.

May 12—UAW members ratify their new contract with the Chrysler Corporation by a 54 percent majority vote.

May 25—New York State and the Long Island Lighting Company reach an "agreement in principle" to close the \$5.3-billion Shoreham nuclear power station. The plant, which has met strong public opposition for 22 years, has never been put into operation.

### Legislation

May 2—The House votes 326 to 2 to give final legislative approval to a bill giving additional benefits to veterans exposed to radiation in occupied Japan and in post-World War II nuclear tests; the Senate passed the measure 48-30 vote last week.

May 13—The Senate votes 83 to 6 to approve a measure that would allow specially trained Navy personnel to make arrests of suspected drug traffickers in international waters and allows the armed services to provide broad assistance to civil law-enforcement authorities.

May 17—The Senate begins debate on the INF treaty signed in December, 1987.

May 24—President Reagan vetoes the trade revision bill; the House votes 308 to 113 to override his veto.

May 27—Voting 93 to 5, the Senate approves the INF treaty; this will enable President Reagan to exchange formal ratification documents at the Moscow summit.

### Military

May 20—The Defense Department's Science Board recommends to Defense Secretary Frank Carlucci that the initial deployment of the strategic defense initiative (SDI) program be "replanned and [and that] its execution [should] take place in planned steps."

### Politics

May 3—In Democratic primaries in Indiana and Ohio, Massachusetts Governor Michael Dukakis defeats civil rights activist Jesse Jackson; in the Washington, D.C., primary, Jackson defeats Dukakis.

In the Republican primaries in Indiana, Ohio and Washington, D.C., Vice President George Bush wins most of the delegates.

May 10—In Democratic primaries in West Virginia and Nebraska, Dukakis beats Jackson by more than 2 to 1. In the Republican primaries in these states, Bush is virtually unopposed.

May 11—Speaking at a Republican party fund-raiser in Washington, D.C., President Reagan calls Vice President George Bush "my candidate" and promises to "work as hard as I can to make George Bush the next President of the United States."

May 16—Former television evangelist Pat Robertson formally suspends his campaign for the Republican presidential nomination.

May 17—In Oregon, Dukakis defeats Jackson in the Democratic primary and Bush wins the Republican primary with 73 percent of the vote.

May 25—In Tuesday's primaries in Idaho, reported today, Bush receives 82 percent of the Republican vote; Dukakis receives 73 percent and Jackson wins 16 percent of the Democratic vote.

### Supreme Court

May 2—The Supreme Court rules 6 to 2 to uphold a lower court decision that a manufacturer does not necessarily violate the Sherman Antitrust Act by agreeing to an arrangement with a dealer to stop supplying products to another discounting dealer.

May 16—The Court rules 6 to 2 to uphold a lower court decision allowing police to search discarded trash in garbage bags and refuse containers left outside a home for collection without first obtaining a warrant or having reason to suspect criminal activity.

The Court rules 8 to 0 against lower court decisions that hospital peer review committees are not exempt from all possible antitrust suits brought by the physicians the committees have penalized.

May 31—Voting 5 to 4, the Court upholds the major provisions of a 50-year-old U.S. Customs regulation that permits discount retailers to buy trademarked goods in foreign markets from unauthorized independent dealers, import them to the U.S. and sell them at lower prices in spite of the objections by the manufacturers and authorized dealers.

### VATICAN

May 7—While touring South America, Pope John Paul II offers his support to the striking workers in Poland, saying that Poland's problem "is the lack of true democracy."

May 29—Pope John Paul II announces the nomination of 25 new Cardinals. Among the nominees is Lithuanian Bishop Vincentas Sladkevicius, who will become the 2d Cardinal in the U.S.S.R.

### VIETNAM

May 25—The government of Vietnam announces that it is removing 50,000 of its soldiers from Cambodia this year; the troop withdrawal, which will begin in June, will reduce the Vietnamese force in Cambodia by one-third.

### YUGOSLAVIA

May 16—In accordance with an austerity package cosponsored by the International Monetary Fund (IMF), the government places a ceiling on wage increases and limits public spending. In return, the IMF will provide Yugoslavia with credit and help Yugoslavia reschedule its \$21-billion debt to Western countries.

May 31—Yugoslavia's Communist party ends a 3-day meeting in Belgrade that was called to discuss Yugoslavia's economic problems.

### ZAIRE

May 3—According to Western diplomatic sources, the government of President Mobutu Sese Seko has sent 2 prominent leaders of the main political opposition into internal exile; they had called for a 2-party system in Zaire.



June, 1988

## INTERNATIONAL

**Angolan Peace Plan**

June 25—In Cairo, representatives of the U.S., South Africa, Cuba and Angola begin 2 days of talks on the fighting in Angola and Namibia.

June 26—The participants in the Cairo talks agree that experts from the participating countries will meet in the U.S. on July 11 to work out technical details and a timetable for a proposed troop withdrawal from Angola.

**Antarctic Treaty**

June 7—33 countries conclude 6 years of negotiations with an agreement on the regulated development of the Antarctic's oil and mineral resources. 16 of the 20 voting members of a 1959 treaty on the Antarctic must ratify this new agreement.

**Arab Summit**

June 7—In Algiers, Arab leaders call for Arab unity and support for the Palestinian uprising in Israeli-occupied territories.

June 8—The Arab leaders refuse to grant substantial new financial assistance to the Palestinian Liberation Organization (PLO).

June 9—The Arab summit meeting closes with a resolution expressing support for the Palestinians and for Iraq in its war with Iran.

**Central American Peace Plan**

(See also *U.S., Foreign Policy*)

June 7—Contra leaders arrive in Managua for a 4th round of peace negotiations.

June 9—Negotiations in Managua end in bitter disagreement, but negotiators decide that the cease-fire will continue.

June 20—The contras refuse Nicaraguan President Daniel Ortega Saavedra's offer to resume peace negotiations.

**European Economic Community (EEC)**

June 28—Meeting in Hanover, West Germany, in a 2-day session, EEC leaders agree to form a committee to make definite proposals to create a European monetary unit by the end of 1989.

**International Terrorism**

June 28—In Athens, U.S. Navy Captain William Nordeen, the U.S. military attaché in Athens, is killed by a car bomb.

June 29—The Greek terrorist group called Ethnos claims to have killed Captain William Nordeen.

**Iran-Iraq War**

June 11—Iranian gunboats attack a U.S.-chartered freighter, killing 2 crew members.

June 13—Iran claims its Revolutionary Guards have made large gains in the area near Basra in southern Iraq; Iraq claims to have repulsed the attackers, but no independent confirmation of either claim is available.

June 19—Rebel forces in Iran are reported to have captured the Iranian town of Mehran, near the Iraqi border; these National Liberation Army troops are supported by Iraq.

June 25—Iraq says that it has recaptured the important Majnoon oil fields near Basra, which have been occupied since 1985 by Iran.

June 30—Iraq accuses the U.S. of giving intelligence information to Iran that provided Iran with some details of Iraq's successful recapture of the Majnoon oil fields. The U.S. State Department ridicules the charges.

**Moscow Summit**

June 1—In his final meeting in Moscow with U.S. President Ronald Reagan, Soviet General Secretary Mikhail Gor-

bachy bewails "missed opportunities" for meaningful agreements, even through he calls the summit a "major event" that "maybe improved U.S.-Soviet relations somewhat." In separate news conferences, both leaders express pleasure at what they accomplished in their 4 days of meetings.

**North Atlantic Treaty Organization (NATO)**

(See also *U.S., Foreign Policy; Italy*)

June 10—In a 2-day meeting in Madrid, NATO leaders agree to increase military spending levels; they express their encouragement for the lessening of U.S.-Soviet tensions.

**Organization of Petroleum Exporting Countries (OPEC)**

June 14—11 of the 13 OPEC members meeting in Vienna agree to extend their pricing and production regulations until their next meeting in November. Iraq and the United Arab Emirates do not agree to the schedules, which makes the agreement mostly meaningless.

**Toronto Economic Summit**

June 19—The leaders of the 7 major industrial democracies open a 3-day economic summit in Toronto.

June 20—The summit leaders call for a ministerial-level task force to halt the international drug traffic and to try to cut down on the "money laundering" of drug traffic profits.

June 21—Completing their 3-day summit, the 7 leaders agree on economic policies to foster economic growth, including encouraging a slight rise in the value of the dollar; the leaders, however, do not agree on the important issue of agricultural subsidies.

**United Nations (UN)**

(See also *U.S., Foreign Policy*)

June 3—The Soviet Union says that it will allow its nationals to join the UN staff on a permanent basis, rather than replacing them every few years.

The U.S. Agency for International Development (USAID) announces that it will again withhold funds for the UN Fund for Population Activities; it claims the agency encourages coerced abortion in China.

June 13—Addressing a special UN General Assembly meeting on disarmament, U.S. Secretary of State George Shultz says that third world countries must join the effort to halt the spread of nuclear and conventional arms because arms proliferation is the "concern of every state here represented."

June 26—The disarmament conference concludes after the 159 delegates fail to agree on a joint declaration; the delegates agree that "divergent positions made consensus impossible."

**ANGOLA**

(See *Intl, Angolan Peace Plan; U.S., Foreign Policy*)

**AUSTRIA**

(See *Vatican*)

**BANGLADESH**

June 6—The Elections Reform Commission is dismissed by President H.M. Ershad after the commission head criticizes the role of the government in the most recent election.

**BRAZIL**

June 2—The constitutional assembly decides that the President will serve a 5-year term; the decision extends the term of President José Sarney by 1 year and provides for a presidential election in November, 1989.

June 22—The Finance Ministry announces that Brazil has reached a refinancing agreement with its private creditors;

the agreement provides Brazil with \$5.2 billion to pay interest payments that have been due since 1987.

## **CAMBODIA**

(See *Vietnam*)

## **CANADA**

(See also *U.S.S.R.*)

June 21—The Canadian government expels 17 Soviet diplomats for "improper and unacceptable behavior." The expulsions come amid allegations that the Soviets have engaged in industrial espionage activities.

June 22—Canadian officials accuse Soviet diplomats of attempting to infiltrate U.S. defense industries based in Canada in order to obtain classified U.S. naval information.

June 29—The legislature passes measures that ban all cigarette advertising and require the enclosure of warning leaflets in every cigarette pack.

## **CHINA**

(See also *Intl, UN*)

June 15—Tibet's exiled leader, the Dalai Lama, recognizes the right of China to conduct Tibet's foreign affairs and to station troops in Tibet. The Dalai Lama asks China to give limited independence to Tibet.

## **COSTA RICA**

(See *U.S., Administration, Foreign Policy*)

## **CUBA**

(See *Intl, Angolan Peace Plan*)

## **DENMARK**

June 7—Denmark and the U.S. reach a compromise on the issue of NATO ships that carry nuclear weapons and visit Danish ports.

## **EGYPT**

(See *U.S., Foreign Policy*)

## **EL SALVADOR**

(See *U.S., Foreign Policy*)

## **ETHIOPIA**

June 1—Speaking at his 1st news conference with the foreign press in 2 years, President Mengitsu Haile Mariam says that the Ethiopian government has not been withholding food aid from Eritrea and Tigre provinces.

## **FRANCE**

June 12—As a result of the final round of parliamentary elections, neither the Socialists nor the conservatives win a majority of seats in the National Assembly. The Socialists will attempt to rule through a minority coalition.

June 14—President François Mitterrand says that he will reappoint Michel Rochard as Prime Minister and that he has confidence in the Socialist party minority coalition. Rochard offered his resignation to President Mitterrand after the June 12 parliamentary election.

## **GREECE**

(See *Turkey*)

## **GUATEMALA**

(See *U.S., Foreign Policy*)

## **HAITI**

(See also *U.S., Foreign Policy*)

June 15—President Leslie Manigat rejects a decision by

military commander Lieutenant General Henri Namphy to reassign several military officers.

June 17—Lieutenant General Namphy is dismissed by President Manigat as commander of the Haitian army.

June 19—A major reorganization of the military is announced by President Manigat.

June 20—Lieutenant General Namphy lays siege to the presidential palace in Port-au-Prince and deposes President Manigat, who flees to the Dominican Republic.

## **HONDURAS**

(See *U.S., Foreign Policy*)

## **INDIA**

June 7—India says that it will withdraw 3,000 to 5,000 soldiers belonging to its peacekeeping force from Sri Lanka; India stationed soldiers in Sri Lanka in October, 1987, to disarm Tamil separatist guerrillas.

June 18—Former Cabinet minister Vishwanath Pratap Singh wins a seat in Parliament. Singh, who based his campaign on alleged corruption in the government of Prime Minister Rajiv Gandhi, is expected to lead a movement opposed to India's present government in the next general election.

June 21—At least 24 people die in a bomb explosion near Amritsar; in the last 2 days, 72 people have been killed in violence believed to be caused by Sikh extremists.

June 25—Prime Minister Gandhi realigns his Cabinet, naming 9 new ministers and replacing the ministers of Uttar Pradesh and Maharashtra.

## **IRAN**

(See also *Intl, Iran-Iraq War*)

June 2—In an open letter widely distributed in Teheran, former Prime Minister Mehdi Bazargan accuses Iran's leader, Ayatollah Ruhollah Khomeini, of "despotism" and "collaboration with Israel."

June 16—Iran announces that it is not sending pilgrims to Mecca, Saudi Arabia, for the annual pilgrimage; Iran blames Saudi Arabia for "preventing the arrival of Iranian pilgrims." Saudi Arabia has instituted a quota system for pilgrims because of the violence at Mecca in 1987.

## **IRAQ**

(See *Intl, Iran-Iraq War, OPEC*)

## **ISRAEL**

(See also *Intl, Arab Summit; Lebanon; Norway; U.S., Foreign Policy*)

June 5—The Israeli Supreme Court upholds the deportation order of Palestinian-American activist Mubarak Awad.

June 9—Prime Minister Shamir and Soviet Foreign Minister Shevardnadze talk for 2 hours at the UN.

June 21—Defense Minister Yitzhak Rabin defends recent comments in which he urged Israeli citizens to shoot on sight any Palestinians armed with firebombs.

## **ITALY**

June 4—Italy says that it will accept the transfer of 72 U.S. fighters from Spain as part of a realignment within NATO.

## **JAPAN**

June 14—The Japanese Cabinet approves a plan under which foreign aid will increase to \$50 billion over the next 5 years; as a result, Japan may become the world's largest donor of foreign aid.

## **JORDAN**

(See *U.S., Foreign Policy*)

**KOREA, NORTH**(See *Korea, South*)**KOREA, SOUTH**

June 10—Students battle with riot police throughout South Korea as the police attempt to block a student march to Panmunjom for a meeting with North Korean students. The march is finally stopped outside Seoul.

**LEBANON**

June 3—Amal militia leader Nabih Berri announces that he has ordered the dissolution of the militia; Berri also suggests that the Amal troops move to southern Lebanon and fight Israel.

**MEXICO**(See also *U.S., Foreign Policy*)

June 5—Socialist party candidate Heberto Castillo withdraws from the presidential race; Castillo's withdrawal reduces to 5 the number of candidates in the election, which is scheduled for July 6.

**NICARAGUA**(See also *Intl, Central American Peace Plan; U.S., Administration*)

June 14—The Sandinista government announces that it is ending its policy of state control over salaries and prices.

**NORWAY**

June 10—Norway says that it has reached an agreement with Israel over the inspection of Norwegian heavy water shipments received by Israel.

**PANAMA**(See *U.S., Foreign Policy*)**PHILIPPINES**

June 8—The Philippine Congress passes legislation implementing land-reform measures. The legislation will allow the redistribution of some 6.9 million acres of land to 2 million farmers over a 10-year period.

**SAUDI ARABIA**(See *Iran*)**SOUTH AFRICA**(See also *Intl, Angolan Peace Plan*)

June 8—An estimated 3 million black workers end a 3-day nationwide strike to protest antilabor legislation and recent bans on anti-apartheid groups; between 50 and 60 percent of the black work force in South Africa participated in the walkout.

June 9—President P.W. Botha says that South Africa is extending the nationwide state of emergency for a 3d year to ensure the "safety of the public."

The government issues its new emergency decree; among the restrictions are further constraints on the activities of the press.

June 13—The Sharpeville Six, a group of 6 blacks awaiting execution for a 1984 murder, are denied a retrial. Members of the group have been the center of international attention since their conviction in 1985.

June 16—To commemorate the anniversary of the 1976 Soweto riots, hundreds of thousands of black workers stay home from work.

**SPAIN**(See *Italy*)**SRI LANKA**(See *India*)**SWITZERLAND**(See *Vatican*)**TURKEY**

June 13—Prime Minister Turgut Ozal arrives in Greece for a 3-day meeting with Greek Prime Minister Andreas Papandreu. Prime Minister Ozal is the 1st Turkish leader to visit Greece in 36 years.

June 18—At the convention of his Motherland party, Prime Minister Ozal is shot in the right hand when he is attacked by a gunman; 21 people are injured in the ensuing melee when police apprehend the assailant.

**U.S.S.R.**(See also *Intl, Moscow Summit, NATO, UN; Canada; Israel; U.S., Foreign Policy*)

June 4—Officials from the Russian Orthodox church say they will enter into talks with the Vatican over the status of Ukrainian Catholics. The Russian Orthodox church has been opposed to the Soviet Union's reinstatement of the Ukrainian Catholic church.

June 5—An estimated 80 Soviet citizens stage a public march in downtown Moscow to protest the detention of political prisoners; although police prevent the protesters from entering Red Square, no protesters are arrested.

June 9—The request by Crimean Tatars for an autonomous homeland is rejected by a special commission; the commission was established after a protest by Tatars in Red Square last year.

June 13—Soviet officials confirm reports that civil disturbances have recurred in Armenia and in Azerbaijan. Violent protests in Azerbaijan's capital of Baku and a citywide strike in the Armenian capital of Yerevan are the latest events in the dispute between the 2 republics over the Nagorno-Karabakh Autonomous Region.

A Soviet court posthumously rehabilitates Bolshevik revolutionary leaders Lev Kamenev and Grigory Zinoviev, who were executed during the Stalinist show trials of the 1930's.

June 14—The strike in Yerevan ends when the local Communist party leader promises to support Armenian demands for the annexation of the Nagorno-Karabakh Autonomous Region.

June 15—In a unanimous vote, the Armenian legislature appeals to the central Soviet government for the annexation of Nagorno-Karabakh.

June 16—The Soviet news agency Tass says that the leader of the Estonian Communist party, Karl Vaino, has been removed; his replacement is Vajno Vaelas, a former ambassador to Venezuela and Nicaragua.

June 21—The People's Front, a 40,000-member Estonian nationalist political group that supports the economic goals of General Secretary Mikhail Gorbachev, receives the endorsement of the Communist party. The People's Front is the 1st political group outside the Communist party to become established in the Soviet Union.

June 25—The Soviet Union deports a Canadian diplomat and bars 7 other Canadian diplomats from Canada's embassy in Moscow.

June 27—The special Communist party conference, attended by 5,000 delegates from the 15 Soviet republics, opens in Moscow; the special conference will deal with the extensive political and economic reforms proposed by General Secretary Gorbachev.

June 28—General Secretary Gorbachev addresses the special conference. In a 4-hour speech, Gorbachev argues that political reform is a mandatory precursor to economic reform and that a major overhaul of the political system is necessary. Although Gorbachev endorses the creation of a powerful



presidency and an effective legislature, he maintains that the Communist party will remain the only political party in the Soviet Union.

June 30—During the 3d day of the Communist party congress, Soviet President Andrei Gromyko and several other senior party officials are criticized by a delegate for their role in the "stagnation" of Soviet society.

## UNITED ARAB EMIRATES

(See *Intl, OPEC*)

## UNITED KINGDOM

### Great Britain

(See also *U.S., Foreign Policy*)

June 27—Amnesty International issues a report that criticizes Britain for allowing security forces in Northern Ireland to use lethal force without discretion. The report also questions the necessity of the March, 1988, killing of 3 Irish Republican Army (IRA) agents by British operatives in Gibraltar.

### Northern Ireland

June 15—In the town of Lisburn, a bomb blast kills 5 British soldiers; the IRA claims responsibility for the attack.

## UNITED STATES

### Administration

June 2—The Transportation Department reports that after special safety inspections of Eastern Airlines and Continental Airlines planes and equipment, inspectors found that the equipment and planes were being operated safely. The department opened a special inquiry into the airlines on April 13 because of questions about the overall safety of the lines.

June 14—White House Chief of Staff Howard H. Baker Jr. announces his resignation, effective July 1, to return to private life for personal reasons; Deputy Chief of Staff Kenneth Duberstein will succeed him.

The Federal Bureau of Investigation (FBI) reports surprise searches of Defense Department procurement offices and court-approved searches of the offices of 14 military contractors in 12 states, in a widespread investigation of bribery and corruption.

June 15—The FBI files papers in St. Louis to substantiate its claim of "illegal disclosure of information and the exertion of influence with respect to Department of Defense contracts" by the McDonnell Douglas Corporation.

June 16—The FAA announces new regulations for the areas around the 27 busiest airports.

Former Secretary of Defense Caspar Weinberger says that the FBI investigation into defense contracts may indicate the need for reforms in the system and that sufficient vigilance may not have been exercised while he was Defense Secretary.

June 20—A U.S. grand jury in Washington, D.C., hands down a 5-count indictment of former Central Intelligence Agency (CIA) Costa Rica station chief Joseph Fernandez, charging him with lying to investigators and conspiracy in supplying Nicaraguan contras.

June 22—The Agriculture Department says that a drought emergency exists in 40 percent of the nation's counties; so far, the department has designated 1,231 counties in 30 states as disaster areas.

June 28—The Justice Department files suit in U.S. district court in New York to remove the leaders of the International Brotherhood of Teamsters, charging that they are working hand in glove with organized crime; the suit asks for new elections for the leadership under the supervision of a court-appointed trustee.

In Newark, N.J., 22 people, indicted by a federal grand

jury, are arrested on 42 counts of racketeering; 3 reputed mob leaders are indicted on murder charges.

### Economy

June 1—The Commerce Department reports that its index of leading economic indicators rose 0.2 percent in April.

June 3—The Labor Department reports that the nation's unemployment rate rose slightly to 5.5 percent in May.

June 10—The Labor Department reports that its producer price index rose 0.5 percent in May.

June 14—The Commerce Department reports that the U.S. foreign trade deficit fell to \$9.9 billion in April.

June 21—The Federal Home Loan Bank Board announces that the U.S. savings and loan industry lost over \$3 billion in the 1st quarter of 1988.

The Labor Department reports that its consumer price index rose 0.3 percent in May.

June 22—The New York Stock Exchange's Dow Jones Industrial Average of 30 blue-chip stocks closes at 2,152.20, its highest level since last October.

The Commerce Department revises its estimated rate of rise in the gross national product (GNP) for 1988 from a 2.9 percent annual rate to a 3.5 percent annual rate.

June 29—The Commerce Department reports that its index of leading economic indicators fell 0.1 percent in May.

### Foreign Policy

(See also *Intl, Angolan Peace Plan, International Terrorism, Iran-Iraq War, Moscow Summit, NATO, UN; Canada; Denmark; Israel; Italy*)

June 2—President Reagan meets with Prime Minister Thatcher in London.

June 3—In London, President Reagan says Soviet General Secretary Gorbachev is "a serious man seeking serious reform" and declares, "we are beginning to take down the barriers of the postwar era . . . and this is a time of lasting change in the Soviet Union."

Secretary of State George Shultz arrives in Cairo in a new Middle East peace effort.

June 4—Shultz meets in Jordan with Jordan's King Hussein.

June 5—In Tel Aviv, Shultz warns Israelis that the West Bank occupation is a "dead end street."

June 7—Shultz leaves Egypt for a NATO meeting in Madrid with no success to report for his Middle East peace effort.

June 10—President Reagan announces that supporters of Panama's General Manuel Noriega will be denied entry into the U.S. until "democracy has been restored to Panama."

White House spokesman Marlin Fitzwater announces that President Reagan is sending State Department counselor Max Kampelman to Central America to assess the possibilities for peace in the region.

June 18—The State Department announces that Secretary of State Shultz will travel to 4 Central American countries between June 29 and July 1—Guatemala, El Salvador, Honduras and Costa Rica—to consult on the faltering Central American peace plan negotiations.

June 20—The State Department calls the military coup in Haiti "a serious blow to hopes for democracy in that troubled land."

June 28—The U.S. recalls Ambassador to Mexico Charles Piliol for consultations about Mexico's release from custody of Puerto Rican nationalist William Morales, who is wanted in the U.S. for his terrorist activities.

Meeting with Israeli Defense Minister Yitzhak Rabin in Washington, D.C., President Reagan tells Rabin that Israel should not give way to violence in halting the uprising in the Israeli-occupied territories. Rabin is seeking American understanding and continued support of the Israeli position.

Shultz begins his trip to Central America.

June 29—In New York, U.S. district court Judge Edmund Palmieri dismisses the Justice Department's suit to force the

PLO to close its New York observer mission to the UN.

Israel and the U.S. sign an agreement to produce a new defensive missile designed to shoot down missiles in flight.

June 30—Angolan rebel leader Jonas Savimbi meets with President Reagan in Washington, D.C., to discuss Savimbi's plan for peace in Angola.

### Labor and Industry

June 6—The Federal Savings and Loan Insurance Corporation announces that it will pay out \$1.25 billion to depositors of 2 liquidated California savings institutions.

June 13—In U.S. district court in Newark, a jury finds the Liggett Group, a cigarette manufacturer, liable for damages of \$400,000 to the husband of Rose Cepollone, who died of lung cancer. This is the first of some 300 cases in which a jury has been asked to find against and assess damages against a tobacco company.

June 16—Texaco Incorporated says that Saudi Arabia has signed a letter of intent to buy 50 percent of Texaco's eastern and southern refining and marketing assets.

### Legislation

June 6—The Senate votes 58 to 29 to approve a \$1.1-trillion budget resolution for fiscal 1989; the House approved the compromise measure last month.

June 8—Voting 61 to 37, the Senate fails to override President Reagan's veto of the new trade bill.

June 10—The House Ethics Committee votes unanimously to begin an investigation into allegations of misconduct against House Speaker Jim Wright (D., Tex.).

### Political Scandal

June 8—U.S. district court Judge Gerhard Gesell rules that each of the Iran-contra defendants, Oliver North, John Pindexter, Richard Secord and Albert Hakim, must be tried separately.

### Supreme Court

June 20—The Court unanimously to uphold a 1984 New York City law that forbids large private clubs that are impor-

tant adjuncts of business and professional life from excluding women as members.

June 22—In an 8-1 decision, the Court rules that a suspect may be compelled to request a foreign bank to turn over the suspect's financial records to a prosecutor.

June 24—In a 6-3 ruling, the Court says that utilities with huge cost overruns on plant construction may not be regulated by a state as to the amount they charge for cost overruns.

June 27—The Court rules 5 to 4 to uphold lower court decisions that contractors producing a product according to government specifications are not liable to suit if the product fails, proves defective or is unsafe.

June 29—The Court rules 7 to 1 that the law creating the role of special prosecutor for high-ranking officials is constitutional: the law "does not violate the separation-of-powers principle" because it does not interfere with the functions of the executive branch.

The Court, in a 5-3 ruling, says that, at least at this time, a state cannot execute a person for a crime if the person was less than 16 years old when the crime was committed.

### VATICAN

June 23—Arriving in Austria for a 5-day visit, Pope John Paul II is greeted by Austrian President Kurt Waldheim.

June 27—The Pope ends his visit to Austria, thanking President Waldheim for his hospitality.

June 30—In Switzerland, Archbishop Marcel Lefebvre consecrates 4 bishops in defiance of the Vatican. After the ceremony, the Vatican issues a statement excommunicating Archbishop Lefebvre and the 4 bishops. The schism is the 1st in the Catholic church since 1870.

### VIETNAM

June 22—Do Muoi is elected Prime Minister by the National Assembly; Do Muoi, who is the 3d ranking member of the Politburo, replaces Pham Hung, who died in March, 1988.

June 30—Vietnam withdraws its highest military commander from Cambodia.

## July, 1988

### INTERNATIONAL

#### Angolan Peace Plan

July 13—U.S. Assistant Secretary of State for African Affairs Chester Crocker announces that with U.S. mediation assistance, South Africa, Angola and Cuba have reached tentative agreements on the terms for the withdrawal of Cuban troops from Angola (but not on the timing of such a withdrawal) and for black majority rule in Namibia (South West Africa).

July 20—South Africa, Cuba and Angola formally agree on a 14-point negotiating framework.

#### Arms Control

July 19—The Soviet Union says it will dismantle its Krasnoyarsk radar complex in Siberia if the U.S. and the Soviet Union resolve their disagreements over the 1972 Antiballistic Missile (ABM) treaty.

#### Cambodian Peace Talks

(See also *Cambodia*)

July 25—The 4 major factions in the ongoing struggle for power in Cambodia—the Vietnamese-backed Heng Samrin government, represented by Prime Minister Hun Sen, and the 3 factions of the rebel coalition—meet face to face for the 1st time in 10 years in Bogor, Indonesia. Prince Norodom Sihanouk, the former head of the rebel coalition, is boycotting the talks, although he is visiting Indonesia as a guest of the Indonesian government.

July 26—In the 2d day of talks in Indonesia, there is disagreement among the parties over a 7-point peace plan proposed by Prime Minister Hun Sen on July 25. According to the plan, former ruler Prince Sihanouk would serve as the leader of a coalition government, but the Heng Samrin government would control the armed forces. Meanwhile, Prince Sihanouk says that he is against Hun Sen's plan.

July 27—The negotiating parties in the peace talks travel to Jakarta to meet with Prince Sihanouk. At the meeting, Prince Sihanouk is skeptical of the Hun Sen peace plan; instead, Sihanouk proposes his own plan, which other rebel leaders fail to endorse.

July 28—The peace talks end in Indonesia without any progress toward a settlement in Cambodia.

#### Caribbean Community and Common Market (CARICOM)

July 5—The Prime Ministers of the 13 nations belonging to CARICOM agree to end almost all trade barriers among their countries by October 1.

July 9—The 13 CARICOM leaders end 5 days of talks and ask the U.S. Justice Department to stop interfering with their internal affairs in its efforts to clamp down on drug trafficking.

#### Central American Peace Plan

(See also *Nicaragua*)

July 1—In Guatemala City, U.S. Secretary of State George Shultz meets with Nicaraguan contra leaders; the contras

claim Shultz endorsed their proposal for \$30 million in U.S. aid, both military and humane, for the contras.

July 25—In an interview in the *Wall Street Journal*, Costa Rican President Oscar Arias Sánchez, architect of the Central American peace plan, says that peace in the region is imperiled by "the most intransigent" factions of the Nicaraguan government forces (Sandinistas) and the contras.

### International Terrorism

July 11—Near Athens, Greece, at least 9 people are killed and 98 are wounded when 3 gunmen open fire on a Greek tourist cruise ship and hurl hand grenades at the 571 passengers; the attackers escape in a speedboat.

### Iran—Iraq War

July 1—Iraqi Foreign Minister Tariq Aziz admits that Iraq has used chemical weapons in its war with Iran.

July 3—In the Persian Gulf, the U.S.S. *Vincennes* mistakenly shoots down an Iran Air Airbus A300 passenger jet, killing all 290 passengers and crew. The *Vincennes* believed it was firing its missiles at a hostile Iranian F-14 fighter.

U.S. President Ronald Reagan calls the incident "tragic," although he says it "appears" that it was a "proper defensive action" by the *Vincennes*.

July 4—U.S. investigators begin to reconstruct how and why the *Vincennes* shot down the civilian Iranian airliner; President Reagan calls it an "understandable incident" and says that there will be no change in U.S. policy in the Persian Gulf.

July 5—The U.S. sends Iran a message of "deep regret" for shooting down the Iranian plane.

July 11—White House spokesman Marlin Fitzwater reports that the U.S. will compensate the families of victims of the Iran Air disaster in keeping "with the humanitarian traditions of our nation."

July 14—The UN Security Council fails to support Iran's call for a resolution condemning the U.S. downing of the Iran Air passenger jet over the Persian Gulf.

July 17—The Iraqi government announces plans to withdraw its forces from the Iranian city of Dehloran as part of a plan not to hold Iranian territory; Iraq's President Saddam Hussein offers terms for ending the war, but Iran has refused to accept his conditions in the past.

July 18—Iran agrees to UN Security Council Resolution 598 calling for a cease-fire in its war with Iraq; Iran's President Hojatolislam Ali Khamenei has agreed to the terms of the resolution in a letter to UN Secretary General Javier Pérez de Cuéllar and says the decision was made by the Ayatollah Ruhollah Khomeini. Iraqi leaders say they are skeptical.

July 19—Fighting continues; Iraq calls the Iranian acceptance of Resolution 598 deceptive.

The UN Security Council passes a resolution urging Iran and Iraq to "exercise maximum restraint" and end their hostilities.

July 20—In a statement read over Teheran radio, the Ayatollah Ruhollah Khomeini personally endorses a cease-fire and accepts the "poison" of ending the war.

UN Secretary General de Cuéllar announces that he is sending a military mission to Teheran and Baghdad to work on a formal cease-fire and to check the status of prisoners of war.

July 21—The Iraqi government demands direct high-level talks with Iran.

July 22—Iraqi forces begin a major offensive on the central front. Both Iraq and Iran agree to send their foreign ministers to the UN next week to negotiate an end to their 8-year war.

July 23—The Iranians claim that in its latest offensive Iraq has captured large areas of Iranian territory.

July 24—Reports from the Persian Gulf indicate that Iraqi

forces are withdrawing from Iranian territory.

July 25—Iran's Foreign Minister, Ali Akbar Velayati, arrives in New York for UN-sponsored cease-fire talks with Iraq's Foreign Minister, Tariq Aziz.

U.S. President Reagan says the U.S. is "willing and ready to talk" with Iran about the American hostages being held in Lebanon.

July 26—Speaker of Iran's Parliament Hojatolislam Hashemi Rafsanjani suggests that Iran may aid in obtaining the release of U.S. hostages in Lebanon in exchange for the return of Iranian assets frozen in the U.S. The U.S. continues to demand the hostages' release without any conditions.

In New York, Iraqi and Iranian foreign ministers meet with de Cuéllar to begin peace negotiations.

July 28—Peace talks at the UN on a cease-fire remain deadlocked; Iraq continues to demand face-to-face negotiations with Iran.

July 30—The official Iraqi news agency says that Iraq will withdraw its forces from recently captured Iranian territory and 3 cities on the central front within 48 hours.

### Organization of American States (OAS)

July 29—The Inter-American Court of Human Rights branch of the OAS unanimously rules that the government of Honduras was guilty in the political disappearance and probable death of Angel Manfredo Velásquez Rodríguez in 1981 and must negotiate a settlement with his family.

### United Nations (UN)

(See also *Intl, Iran-Iraq War*)

July 9—UN mediator Diego Cordovez calls for a cease-fire in Afghanistan and a new "government of peace and reconstruction" to take the place of the Soviet-backed government by September 1.

### AFGHANISTAN

(See *Intl, UN; U.S.S.R.*)

### ANGOLA

(See *Intl, Angolan Peace Plan*)

### ARGENTINA

July 9—Carlos Saul Menem defeats party leader Antonio Cafiero in the Peronist party primary to become the nominee in next year's presidential election. Menem, who received 53 percent of the vote, will be the main opposition party candidate.

### BRAZIL

July 26—In a nationwide address, President José Sarney asks for wide-ranging amendments to the draft of Brazil's new constitution. Expressing the views of the military and many businessmen, President Sarney says that the draft constitution, if approved by the Constitutional Assembly, would cause "permanent political and social instability."

July 28—A government spokesman says that Social Security Minister Renato Archer has resigned from his post to protest President Sarney's public stand against the draft constitution.

### BURMA

July 23—Burmese leader Ne Win resigns as the chairman of Burma's only political party; Ne Win, who was Burma's leader for 26 years, calls for a referendum on changing Burma's 1-party system of government.

July 26—Retired Burmese Army General Sein Lwin is chosen as the leader of Burma's ruling party.

July 30—Diplomatic sources say that the Burmese government arrested major political opposition leader Aung Gyi and 10 other political critics in raids on July 28 and July 29. Recent-



ly, Aung Gyi has criticized Burma's new leader, Sein Lwin, because of Lwin's alleged involvement in the suppression of student protests.

### **CAMBODIA**

(See also *Intl, Cambodian Peace Talks; U.S., Foreign Policy*)

July 11—Prince Norodom Sihanouk resigns as the leader of the rebel coalition opposing the Vietnam-supported Heng Samrin regime in Cambodia. Prince Sihanouk says he is going into exile in France.

### **CANADA**

July 20—The Liberal party, which has a majority in the Senate, says that it will block the free trade agreement with the U.S.; thus Canadian acceptance of the agreement must wait until a general election in the fall of 1988.

### **CHINA**

(See *U.S., Foreign Policy*)

### **COSTA RICA**

(See *Intl, Central American Peace Plan*)

### **CUBA**

(See *Intl, Angolan Peace Plan*)

### **EGYPT**

July 17—3 men, convicted in the 1981 assassination of Egyptian President Anwar Sadat, escape from prison.

### **FRANCE**

(See *Cambodia*)

### **GREECE**

(See *Intl, International Terrorism*)

### **HUNGARY**

(See also *U.S., Foreign Policy*)

July 9—In an interview, Hungarian Communist party General Secretary Karoly Grosz says that he was told by Soviet General Secretary Mikhail Gorbachev that Gorbachev regards Hungary as a role model for ongoing economic and political reforms in the Soviet Union.

### **INDIA**

July 25—The chief priest of the Golden Temple in Amritsar, who has been critical of Sikh militants, is killed by Sikh gunmen in Ludhiana.

### **INDONESIA**

(See *Intl, Cambodian Peace Talks*)

### **IRAN**

(See *Intl, Iran-Iraq War; U.S., Foreign Policy*)

### **IRAQ**

(See *Intl, Iran-Iraq War; U.S., Political Scandal*)

### **ISRAEL**

(See also *Jordan; Peru; U.S., Foreign Policy*)

July 4—The Israeli Army orders the closing of all schools in the West Bank for 3 days in an effort to control growing Arab unrest in the area.

July 18—Prime Minister Yitzhak Shamir categorically denies statements made by the Palestine Liberation Organization (PLO) on July 17 claiming that Shamir offered the PLO jurisdiction over the West Bank and the Gaza Strip.

July 28—A 6-member Israeli diplomatic delegation arrives in

the Soviet Union; the delegation includes the 1st Israeli diplomats to visit the Soviet Union since 1967.

### **JAPAN**

July 7—According to Japanese newspaper reports, 2 leading Japanese executives have resigned in connection with a stock-trading scandal. The scandal involves the sale of stock, at a low price, to politicians and businessmen before the stock went public, enabling the buyers to realize huge profits.

July 29—Speaking before a special session of Parliament, Prime Minister Noboru Takeshita says that he is determined to pursue tax-reform measures. The tax reforms, which have become the focus of Japanese domestic politics, include a cut in the Japanese income tax and the imposition of a 3 percent sales tax.

### **JORDAN**

(See also *U.S., Foreign Policy*)

July 28—In a move designed to give the PLO more influence in the Israeli-occupied territories, Jordan announces that it is canceling a \$1.3-billion development plan to finance health and social projects for Palestinians living in the West Bank. The government of Jordan has been paying the salaries and benefits for at least 13,000 Palestinian workers in the occupied territories.

July 30—The dissolution of the lower house of Parliament is ordered by King Hussein. Jordan's lower house represents the interests of the Palestinians in the West Bank.

July 31—In a televised speech, King Hussein says that Jordan is giving up its claim to the West Bank, recognizing the "wish of the PLO, the sole legitimate representative of the Palestinian people, to secede from [Jordan] in an independent Palestinian state." Israel now controls the West Bank, which Jordan ruled from 1948 to 1967.

### **KOREA, NORTH**

(See also *Korea, South*)

July 11—North Korea rejects the reconciliation overtures made by South Korean President Roh Tae Woo on July 7, calling them "new versions" of previous proposals.

July 21—North Korea proposes a joint parliamentary meeting with representatives of South Korea to discuss a nonaggression treaty between the 2 nations.

### **KOREA, SOUTH**

(See also *Korea, North*)

July 1—*The New York Times* reports that a large-scale reassignment of South Korea's military commanders has taken place, the 1st such move since Roh Tae Woo became President in February, 1988.

July 7—In a nationally broadcast speech, President Roh Tae Woo calls for improved relations with North Korea and says that the South Korean government will allow student exchanges, family visits and trade with North Korea.

July 27—The South Korean National Assembly accepts North Korea's invitation to discuss a nonaggression treaty and to discuss North Korea's participation in hosting the 1988 Summer Olympics in Seoul.

### **LEBANON**

(See *Intl, Iran-Iraq War*)

### **MEXICO**

July 2—Francisco Ovando, the campaign manager of presidential candidate Cuauhtémoc Cárdenas of the National Democratic Front party, and Ovando's personal assistant are murdered in Mexico City. Cárdenas says that the killings were politically motivated.

July 6—A heavy turnout is reported in today's presidential election, amid allegations of fraud; the official totals will be announced on July 10.

July 7—The ruling Institutional Revolutionary Party (PRI) claims that it won a "resounding" victory in the July 6 elections, but preliminary results of the balloting are delayed by computer failures; opposition political parties are still claiming vote fraud.

July 10—Delays continue in the official announcement of the presidential election vote totals. Sources say that the delay is a result of "chaos" within the PRI over the election results. Meanwhile, the 3 major candidates in the election have claimed victory.

July 11—The government releases the totals of 75 percent of the presidential vote; PRI candidate Carlos Salinas de Gortari is leading with nearly 53 percent of the vote.

July 14—The final results of the presidential election are announced and Carlos Salinas is declared the winner; Salinas receives 50.3 percent of the vote, which is the narrowest margin of victory ever recorded for a PRI candidate.

July 16—Over 200,000 people march in Mexico City to protest the results of the presidential election, which they claim is tainted by fraud. The demonstration has been called by National Democratic Front leader Cuauhtémoc Cárdenas.

#### NAMIBIA

(See *Intl, Angolan Peace Plan*)

#### NICARAGUA

(See also *Intl, Central American Peace Plan; U.S., Foreign Policy*)

July 5—The Defense Ministry claims that 12 people, including 7 civilians, were killed by contra forces in an ambush on July 4; the government says that the incident is the worst breach yet of the cease-fire between the Sandinistas and the contras that began in March, 1988.

July 18—Colonel Enrique Bermúdez, the leader of the military wing of the contras, is elected to the political leadership of the contras.

July 20—To protest Colonel Bermúdez's election to the contras' political leadership, 7 contra commanders resign from the contras' military faction.

July 27—The opposition newspaper *La Prensa*, which was closed by the Sandinista government on July 11, resumes publication. The government claims that *La Prensa* has fostered antigovernment feelings by publishing inaccurate reports of public protests.

#### PAKISTAN

July 6—A special tribunal convicts 5 Palestinians of various crimes and sentences them to death in connection with the 1986 hijacking of a Pan American jumbo jet in Pakistan; 21 people died when the jet was stormed by Pakistani commandos at the Karachi airport.

#### PERU

July 30—Peruvian police arrest 3 Arabs believed to be members of the Abu Nidal terrorist group; the police think the suspects were attempting to establish an Abu Nidal cell in Lima, in order to attack U.S. or Israeli targets in Peru.

#### PHILIPPINES

July 26—Former President Ferdinand Marcos, who went into exile in February, 1986, says that he is negotiating with the government about his return to the Philippines; Marcos, facing possible indictment in the U.S. on real estate fraud charges, offers to return \$5 billion to the Philippines and to support the government of President Corazon Aquino, if he is allowed to return from exile.

#### SAUDI ARABIA

July 3—Saudi Arabia signs a memorandum of agreement with Great Britain that permits the construction of 2 airfields and the purchase of various fighters, fighter-trainers, helicopters, and minesweepers; the \$29-billion contract, which is part of an arms package signed by the 2 nations in 1985, covers one of the largest arms purchases ever made.

#### SOUTH AFRICA

(See also *Intl, Angolan Peace Plan*)

July 1—The government introduces legislation that will strictly enforce residential segregation regulations and will severely punish violators.

July 25—The government announces stricter curbs on journalists and news agencies.

#### TAIWAN

July 8—President Lee Teng-hui is named party chairman at the Kuomintang (National party) congress.

#### THAILAND

July 27—Prem Tinsulanonda, Thailand's longest-serving Prime Minister, declines the coalition government's offer to remain as Prime Minister. He will be replaced by Chatichai Choonhavan.

#### TUNISIA

July 26—President Zine al-Albidine Ben Ali dismisses almost half his Cabinet; the ministers had served under former Tunisian President Habib Bourguiba.

#### U.S.S.R.

(See also *Intl, Arms Control, UN; Hungary; Israel; U.S., Foreign Policy*)

July 2—In the final session of the special 19th party conference, the delegates approve major changes in the Soviet political system. The changes endorse the creation of a popularly elected legislature that will assume some of the powers of the party and the establishment of a stronger presidency.

July 4—The Soviet Union announces that it is offering amnesty to any soldiers who deserted during the 8-year Soviet war in Afghanistan.

July 5—Violence and labor strikes are renewed in Armenia and in the Nagorno-Karabakh Autonomous Region; the protesters are dissatisfied with the progress made on the issue of Armenian control of the Nagorno-Karabakh region at the special 19th party conference.

July 10—The Soviet press reports that an estimated 100,000 Lithuanians held a public rally in Vilnius to support the demands of the Armenians in the Nagorno-Karabakh Autonomous Region.

July 12—The legislature of the Nagorno-Karabakh region votes to secede from the republic of Azerbaijan.

July 13—The Soviet news agency Tass says that the Azerbaijani government has nullified the July 12 vote of the Nagorno-Karabakh legislature.

July 18—An emergency session of the Presidium of the Supreme Soviet rejects appeals from the Nagorno-Karabakh legislature to permit the region to secede from Azerbaijan.

July 20—Armenia's best-known dissident, Paruir Airikyan, is stripped of his citizenship and is expelled from the country.

July 25—The 2-month-long general strike in the Nagorno-Karabakh Autonomous Region ends.

July 29—General Secretary Gorbachev presents a new schedule to the Communist party Central Committee that accelerates the political changes proposed at the special 19th party conference.

## UNITED KINGDOM

### Great Britain

(See also *Saudi Arabia*)

- July 7—An explosion destroys an oil platform in the North Sea 120 miles northeast of Aberdeen; at least 160 workers are killed in the worst oil field accident in history.

## UNITED STATES

### Administration

- July 5—Attorney General Edwin Meese 3d announces that he will resign later this summer. He says that "false allegations have been put to rest" and "it is therefore an appropriate time for me to announce certain decisions with respect to my personal future."

- July 8—Postmaster General Anthony Frank announces the restoration, beginning in September, of postal services cut last February.

- July 12—The Agriculture Department estimates that the U.S. corn crop will be 5.2 billion bushels lower than expected this year.

President Reagan selects former Pennsylvania Governor Richard Thornburgh to succeed Edwin Meese 3d as Attorney General.

The Department of Health and Human Services announces plans to supply 52,000 computers to pharmacies to keep more accurate records for Medicare beneficiaries.

- July 14—President Reagan tours the drought-stricken areas of the Middle West and urges Congress to accelerate comprehensive measures to aid the farmers in the drought-stricken areas.

- July 27—Surgeon General C. Everett Koop issues a report; he urges Americans to reduce the amount of fat in their diets to improve their general health.

- July 28—Head of the Office of Management and Budget James Miller 3d reports that the administration estimates a budget deficit for fiscal 1989 of \$140.1 billion; this is \$5.9 billion less than the figure that would require automatic budget cuts.

### Economy

- July 5—The New York Stock Exchange's Dow Jones Industrial Average of 30 blue-chip stocks closes at 2,158.61 points, its highest level since last October.

- July 7—The New York Stock Exchange and the Chicago Mercantile Exchange agree to coordinate a method to halt trading in both markets before a major plunge in prices can occur.

- July 8—The Labor Department reports that the nation's unemployment rate fell to 5.2 percent in June, the lowest level in 14 years.

- July 14—Most major banks raise their prime lending rate to 9.5 percent.

- July 15—The Commerce Department reports that the nation's foreign trade deficit rose slightly to \$10.9 billion in May.

- July 22—The Labor Department reports that its consumer price index rose 0.3 percent in June.

- July 27—The Commerce Department reports that the U.S. gross national product (GNP) rose at a 3.1 percent annual rate in the 2d quarter of 1988.

### Foreign Policy

(See also *Intl, Angolan Peace Plan, Arms Control, CARICOM, Iran-Iraq War; Canada; Peru; Philippines*)

- July 6—Secretary of State George Shultz begins an 18-day trip to East Asian countries to strengthen their relationships with the U.S.

- July 8—The State Department reports that, according to its information, Soviet military units in Hungary will be withdrawn; the Soviet Union has 65,000 troops in Hungary.

Secretary Shultz meets with former Cambodian head of

state Prince Norodom Sihanouk in Bangkok and says that the U.S. will support an international peacekeeping force to help ensure peace in Cambodia.

- July 11—The Nicaraguan government orders U.S. Ambassador to Nicaragua Richard Melton to leave Nicaragua for interfering in that country's internal affairs.

- July 12—The State Department announces that President Reagan is expelling Nicaraguan Ambassador to the U.S. Carlos Tunnermann and 7 of his aides within 72 hours; this action retaliates for the expulsion of U.S. Ambassador to Nicaragua Richard Melton.

- July 14—White House spokesman Marlin Fitzwater says that President Reagan supports legislation in the Senate that would provide \$20 million in military aid and \$27 million in other aid for the Nicaraguan contras.

- July 15—After meeting in Beijing with Chinese leaders, Secretary Shultz expresses concern because he received no assurances that China would halt the sale of missiles to the nations of the Middle East.

Nicaraguan Ambassador to the U.S. Carlos Tunnermann leaves Washington, D.C.

- July 17—In South Korea, Secretary Shultz criticizes South Korea's restrictive trade practices on U.S. imports.

- July 27—Civil rights activist Jesse Jackson says he is trying to meet Iran's Foreign Minister Ali Akbar Velayati to discuss the release of American hostages held in Lebanon.

President Reagan meets in Washington, D.C., with Hungary's Prime Minister Karoly Grosz to discuss closer economic ties between the U.S. and Hungary.

- July 28—After 4 days of talks in Hanoi, the State Department and Vietnamese officials agree to make "arrangements for joint investigative . . . activities in Vietnam" to permit the U.S. to look for U.S. military personnel missing in action (MIA's) after the war in Vietnam.

- July 31—Shultz says that Jordan's King Hussein "has to be a partner" in peace talks and in the resolution of Israeli and Arab conflicts in the Israeli-occupied West Bank of the Jordan.

### Labor and Industry

- July 15—The members of the International Brotherhood of Teamsters elect William J. McCarthy as president; he succeeds Jackie Presser, who died while on leave.

- July 29—The Federal Deposit Insurance Corporation announces a bailout of the First RepublicBank Corporation of Dallas; the bailout may cost as much as \$4 billion.

### Legislation

- July 13—The House of Representatives votes 286 to 136 to approve a bill that would force large companies to provide 60 days' notice to employees of plant closings or large layoffs; the Senate passed the bill last week, voting 72 to 23.

- July 28—The House votes 368 to 29 to approve almost \$6 billion in drought relief for farmers and ranchers; the Senate approves a similar bill, voting 94 to 0.

### Military

- July 1—Defense Secretary Frank Carlucci halts payments to 9 military contractors with some \$9 billion in military contracts, because of court-produced evidence of possible fraud in the awarding of the contracts.

- July 11—The Defense Department resumes payments to the 9 contractors whose payments were stopped 10 days ago.

### Political Scandal

- July 18—Special Prosecutor James McKay reports on his 14-month investigation of Attorney General Edwin Meese 3d; while McKay cites Meese's apparently criminal violations of law, he will not bring criminal charges against him; McKay says also that the "available admissible evidence is in-



sufficient for a trier of fact to conclude beyond a reasonable doubt" that Meese violated the Foreign Corrupt Practices Act in the Iraq pipeline deal.

July 26—The House Ethics Committee selects Chicago lawyer Richard Phelan to conduct its investigation of House Speaker Jim Wright (D., Tex.) for violating House rules.

### Politics

July 12—Democratic presidential frontrunner Massachusetts Governor Michael Dukakis selects Texas Senator Lloyd Bentsen as his vice presidential running mate.

July 18—In Atlanta, the 40th Democratic National Convention opens to select its presidential and vice presidential candidates. Civil rights activist Jesse Jackson pledges his support.

July 20—The convention officially nominates Massachusetts Governor Michael Dukakis as its candidate for President of the U.S., with 2,876.25 delegate votes; 1,218.5 voters support Jesse Jackson's candidacy.

July 21—The convention formally chooses Texas Senator Lloyd Bentsen as its candidate for Vice President of the U.S.

In his acceptance speech, Dukakis says he wants to "rekindle the American spirit of invention and daring" and to put aside the "cramped ideals and limited ambitions" of the Reagan administration.

### VIETNAM

(See *Intl, Cambodian Peace Talks; U.S., Foreign Policy*)

### YUGOSLAVIA

July 27—In the republic of Slovenia, 3 prominent journalists are sentenced to jail terms ranging from 5 months to 18 months for leaking military secrets. ■

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## SINO-AMERICAN RELATIONS

(Continued from page 270)

lax the pressure once brought to bear by Beijing on Washington to intervene in the process of reunification. While the "Taiwan question" continues to be mentioned by Beijing as a "principal obstacle" obstructing the path to closer Sino-American ties, one has the impression that there is more form than substance to the assertion in 1988, and that the real action with regard to reunification is taking place directly across the Taiwan Strait.

The other political issue that roiled the waters of Sino-American relations in recent months also involves questions of national sovereignty and external interference. Demonstrations in Lhasa, capital of the autonomous region of Tibet, broke out in the fall of 1987 immediately after a visit by the Dalai Lama to the United States. During his visit, he had received a sympathetic hearing before members of the United States Congress for his "peace zone" proposal calling for Chinese troop withdrawal from Tibet, an end to the movement of ethnic Chinese into Tibet and negotiations on the future status of the region. While some in Beijing were prepared to argue that there was a direct link between the demonstrations and the Dalai Lama's reception in

Washington, others were more concerned over the divided reaction in Washington occasioned by the demonstrations. On the one hand, the Senate was quick to voice its support for the demonstrators and to denounce Chinese countermeasures, voting 98 to 0 on a resolution to this effect on October 6, 1987. Meanwhile, at the other end of Pennsylvania Avenue, the White House was siding with Beijing in the controversy, acknowledging China's sovereignty over Tibet and going no further than expressing its regret over the loss of life attendant upon the suppression of the demonstrators.<sup>17</sup>

The Reagan administration's stance on the Tibet question, clearly taken with a view toward maintaining close ties with Beijing, caused some Americans to question the appropriateness of what they saw as a double standard on human rights, the one applicable to the actions of the government in Beijing, the other, much more stringent, applicable to the actions of the government in Moscow.

As the current era in Sino-American relations began, there was widespread use of the phrase, "playing the China card." It reflected a linkage in the minds of many Americans between American relations with Beijing and American relations with Moscow. Perhaps somewhat earlier, however, the Chinese came to see their foreign relations as involving not two other major players, but three. It was not only a question of balancing its relations with the United States against those with the Soviet Union, but a question of balancing both with its relations with Japan.

For a brief period in the late 1970's, motivated at least in part by a perceived threat from Soviet-supported activity in Vietnam, China saw its interests best served by a tripartite united front with the United States and Japan directed against the Soviet Union. Excessive identification with the industrialized West, however, tarnished China's intended image as a leader and champion of the third world. Hence the effort to formulate an "independent" foreign policy in 1981—a move some American observers too simplistically interpreted as China's "playing the America card" in its relations with the Soviet Union.

Rather, it seems to this author that China's goal over the last seven years has been to establish a position of equidistance from all three of the other major players in the Pacific region—the United States, the Soviet Union and Japan. I would further argue that China has been fairly successful in attaining this goal.

Too close an alignment with the Soviet Union would deprive China of the access to Western capital and technology without which China's economic development program will fail. Despite movement by the Soviet Union to remove two of the

<sup>17</sup>Fred Greene, "The United States and Asia in 1987: Progress Brings Problems," *Asian Survey*, January, 1988, p. 17.

"three obstacles"—Soviet troops in Afghanistan, Soviet assistance to Vietnam's occupation of Cambodia, and the Soviet presence on China's northern border—the Chinese have thus far responded coolly to Soviet Communist party General Secretary Mikhail Gorbachev's suggestions for a marked improvement in Sino-Soviet relations.

Similarly, too close an alignment with Japan is repugnant to the Chinese on historical grounds—grounds that sometimes seem merely symbolic but which, from the point of view of many Chinese, are a substantive obstacle to cooperation. This issue flared most recently when Japanese Cabinet Minister Seisuke Okuno, visiting a shrine honoring Japan's war dead in World War II, commented that Japan was "by no means the aggressor nation" in that conflict. The Chinese response to this and similar episodes in recent months is reflected, some have noted, in a willingness to favor others over Japanese bidders for lucrative contracts, even (occasionally) at a financial cost.

Finally, too close an alignment with the United States jeopardizes China's position with nations outside what we might call the "strategic quadrangle" in the Pacific and, over the longer run, risks alienating the Soviet Union. Manifesting its equidistance, China has expressed its satisfaction over the signing of the intermediate nuclear forces (INF) treaty but remains skeptical, as does Moscow, of the viability of President Reagan's strategic defense initiative.<sup>18</sup>

China's relationship with the United States is a very important one, but it is not necessarily Beijing's single most important relationship. The same could be said of the United States. What distinguishes the two, in my view, is that China appears to have a reasonably clear sense, if an evolving one, of its purposes in pursuing its ties with the United States, whereas the United States, for nearly a decade, has pursued a relationship with China without a clear sense of purpose. China wants help with its efforts to modernize and believes that the United States can render this help. The United States entered the relationship hoping to tip the balance in its dealings with the Soviet Union. That very narrow goal having been accomplished early on, American purposes in developing ties with China have yet to be clearly defined.

Writing two years ago, this author described Sino-American relations as "healthy but fragile."

<sup>18</sup>See Qian, op. cit., for China's views on the most recent stage in Soviet-American arms negotiations; Bonnie S. Glaser and Banning N. Garrett, "Chinese Perspectives on the Strategic Defense Initiative," *Problems of Communism* March-April, 1986, pp. 28-44; John W. Garver, "China's Response to the Strategic Defense Initiative," *Asian Survey*, November, 1986, pp. 1220-1239.

That fragility derived partly from the fact that the relationship was very young, and the mechanisms for conflict management had been little used. Events over the subsequent two years provided both sides with the opportunity to make use of those mechanisms and, to become better acquainted with one another's perceived interests and negotiating styles. As a result, the Sino-American relationship is stronger and should be better able to withstand future conflict. ■

## CHINA'S ECONOMY

(Continued from page 281)

grew at an annual rate of 10 percent, primary energy supplies increased by only 5.2 percent a year. In 1986, industrial output rose 9.2 percent, while primary energy supplies rose by 2.3 percent. In 1987, industrial output rose 14.6 percent, and primary energy supplies increased only 3.2 percent. During the 1981-1987 period, the supply of electric power grew at an annual rate of 7 percent, far below the growth rate of industrial output. Consequently, many plants can operate at only 60 percent to 70 percent of capacity; this causes a loss of Y100 billion a year.<sup>15</sup>

Second, the output of intermediate industries has failed to keep pace with processing industries. Heavy industrial output rose 16 percent in 1987; but steel output increased only 7.3 percent; cement, 9.2 percent; and timber, 5.2 percent. Because the material supply industries were lagging behind the processing industries, there were shortages of rolled steel and construction materials.

Third, Chinese industrial production is adversely affected by chronic problems, including substandard products, which are unsalable but which add to gross output value. Official reports have disclosed millions of inferior quality bicycles, more than 10 million substandard watches, and tens of thousands of inferior refrigerators and television sets stockpiled in warehouses.

On the sunny side, there are several promising sectors, including textiles, consumer durables and military products. In 1987, China produced 4.32 million tons of cotton yarn and 16.7 billion meters of cloth to become the world's leading textile producer. In the first ten months of 1987, the People's Republic shipped 1.58 billion square yards of textile products to the United States, exceeding textile shipments from Taiwan, Hong Kong and Japan.<sup>16</sup>

China's burgeoning electronics industry has also made great strides in the past several years. Starting from a very weak foundation, the electronics industry experienced the most rapid growth of all in-

<sup>15</sup>*Zhongguo Jingji Xinwen* (China Economic News, Beijing), December 7, 1987.

<sup>16</sup>*The New York Times*, December 21, 1987, p. 9.

dustries. In 1987, this industry produced over Y40 billion in total output value, six times its output value in 1978, and accounted for 29 percent of China's total industrial output value. Between 1978 and 1987, China's output of television sets rose from 510,000 sets to 16.8 million sets. The industry is capable of designing and producing 1,200 types of equipment and attachments, some of which have reached the levels of advanced world technology.<sup>17</sup>

The Chinese defense industry received worldwide attention when its Silkworm missiles were deployed in the Persian Gulf. China can now turn out high-altitude, high-speed fighter planes with fire-control radar, aviation-guidance radar, range-finder, radio-altimeter and plane tail warning sets, all designed and manufactured in China.<sup>18</sup>

In short, China's industry may be subjected to the constraints set by an energy shortage, transportation bottlenecks, raw material inadequacy and the lack of quality control, but it displays strengths in textiles and electronics and particularly in military equipment; China became one of the world's top five weapons exporters in 1987.

## THE THORNY ISSUES

By mid-1988, however, the Chinese economy had begun to encounter several thorny issues, most of which have no immediate solution. Foremost is rampant inflation. After 35 years of apparent price stability, inflation began to accelerate in 1984. By official reckoning and measurements, the rate of inflation was viewed as relatively moderate. An official retail price index reflected a rise of 12.5 percent in 1985, 7 percent in 1986 and 7.2 percent in 1987. The real effects, however, were apparently far more severe.

The official index reflects the price changes of both agricultural and industrial products. An especially sharp rise in the price of food has been offset by price reductions in certain expensive consumer durables items in the total index calculations. But because consumers spend 50 to 60 percent of their income for food, it is the food component of the price index that matters.

In 1987, while the retail price index rose 7.3 percent, the price of all food increased 10.1 percent, and the price of meat, poultry and eggs rose 16.5 percent.<sup>19</sup> In the first quarter of 1988, the national retail price index rose another 11 percent. Prices for

<sup>17</sup>Liu Jianjun, "China's Burgeoning Electronics Industry," *Beijing Review*, vol. 31, no. 6 (February 8–February 14, 1988), pp. 26–29.

<sup>18</sup>Ibid.

<sup>19</sup>People's Republic of China, State Statistic Bureau, "Statistics for 1987 Socio-Economic Development," February 23, 1988.

<sup>20</sup>*Beijing Review*, vol. 31, no. 18 (May 2–May 8, 1988), p. 12.

<sup>21</sup>*The New York Times*, May 10, 1988.

<sup>22</sup>*Beijing Review*, vol. 31, no. 18 (May 2–May 8, 1988), p. 12.

nonstaple foods went up by 24.2 percent, with a dramatic rise of 48.7 percent in the price of fresh vegetables.<sup>20</sup>

Consumers panicked when the government decided to raise prices for pork, eggs, vegetables and sugar in state-run stores by 30 percent to 60 percent in mid-May, in order to stimulate production. To avoid social unrest, the government granted subsidies to payroll workers of up to Y10 a month per person.<sup>21</sup> The new measures further strained the already taut family budget for most urban residents, and inflation could become a time bomb for the new administrators.

The causes of the inflation are multiple. Excessive monetary expansion, consumption and investment have prompted an upward adjustment of prices for raw materials, fuel, transportation and public services during the price reform, a substantial rise in wages and bonuses, and the speculative activities of profiteers. A recent government report reveals that aggregate demand outstrips supply by at least Y40 billion (\$10.75 billion).<sup>22</sup> Without effective control of aggregate demand, and with an excessive expansion of the currency by the banking system, the chances of slowing the inflation spiral are slim.

The Chinese economy is also suffering from a budget deficit and a trade deficit, both problems that are not unrelated to the rampant inflation. China's state budget has been in the red since 1979. During the nine-year period 1979–1987 total budget deficits amounted to Y57 billion. Unlike other countries, China counts foreign loans and treasury bond sales as revenue. Were both excluded, the total budget deficits during those nine years would be Y135.6 billion (\$36.65 billion), 3 percent of China's total GNP. While the figures are not substantial by United States standards, they have been highly visible and have been an underlying cause of inflation.

Increasing budget deficits stem from three sources: huge subsidies for ailing state enterprises, mounting subsidies for food prices, and rising public expenditures by government offices and social groups. In the 1988 budget, the two major categories of subsidies amounted to Y76.5 billion, representing 29 percent of total budget expenditure. With such huge financial resources devoted to supporting ailing state factories and subsidizing food and other services provided for urban residents, active government support for agriculture, education and scientific research has been generally neglected.

Excessive consumption and investment have also caused persistent trade deficits. In the three-year period between 1985 and 1987, the total trade deficit amounted to \$36 billion, with no balance in sight.



For more than 30 years, the Chinese Communist party has created an image of China as the paragon of egalitarian societies, not only because of equality in income distribution but because of opportunities in education and employment. This image has now disappeared. The emergence of millions of private business units and the rise of the Y10,000-per-year-income family have created a new social class. The policy that encouraged specialized households to use their surplus savings to acquire more extensive landholdings, to set up transport companies and to invest in local enterprises has also steadily enhanced their social and economic power. During a rapidly accelerating inflation, the income and living standards of fixed-income earners and pension recipients, on the one hand, and those engaged in business and investment speculation, on the other, have become polarized. In the long run, widening income disparities will become another source of social tension.

Taking advantage of current reform, the majority of members of the party and the government bureaucracy have engaged in some form of "malpractice" to enrich themselves at the expense of the public interest. Many party and government organizations and cadres have formed speculating companies that have been buying all kinds of basic materials urgently needed by society and reselling them at high profits. Other examples of misconduct include embezzlement, bribery, tax evasion and swindling.

Even more common is extravagant spending in most government offices, in public organizations and in state enterprises. Public funds have been used for unnecessary tours and banquets. In 1987, the value of retail consumption goods bought by public organizations reached Y55.3 billion, an increase of 19.7 percent over 1986.

The widespread corruption and extravagant consumption displayed by government officials and party cadres have aroused resentment. As Qian Jiaju, China's noted economist and one of China's most outspoken critics, commented recently,

Social misconduct is one problem looked on with bitterness by people of insight. The influence of the corruption is very damaging and could damage the whole tone of our country.<sup>23</sup>

## DILEMMAS AND PROSPECTS

The leadership assembled after the thirteenth party congress faces several critical issues: stability versus reform, growth versus deficit, incentives versus income disparities, and open door policies ver-

<sup>23</sup>Yang Xiaobing, "CCPCC Members on State Affairs," *Beijing Review*, vol. 31, no. 16 (April 18–April 24 1988), pp. 21–23.

<sup>24</sup>*Pei-mei Daily* (North America Daily, New York), October 26, 1987, p. 4.

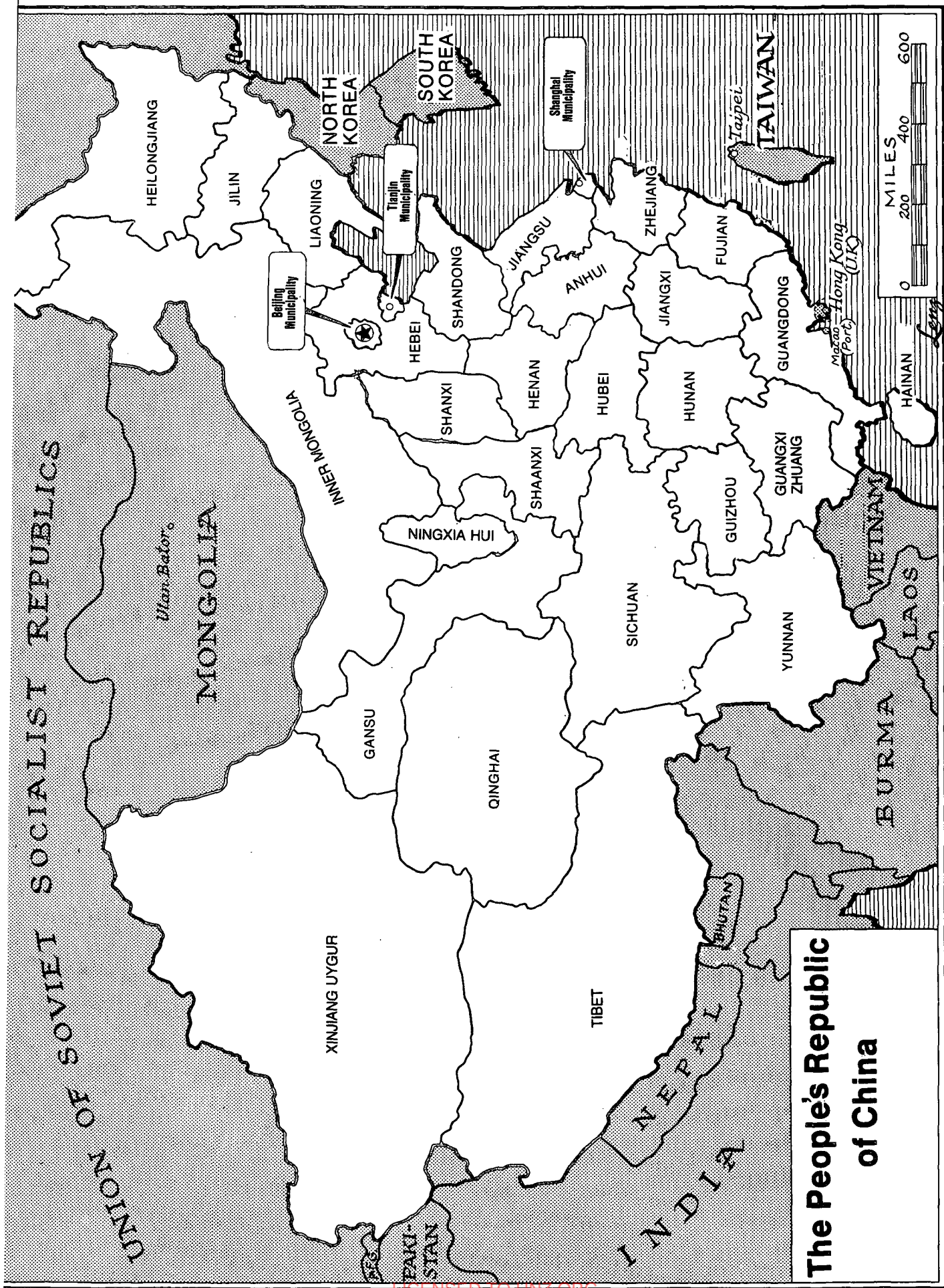
sus regional imbalance.

Economic reform implies a change in the status quo and would inevitably cause instability. Price reform would require the upward adjustment of prices of energy, transportation and public services, which would exacerbate inflation. Increasing efficiency would require the closing of tens of thousands of marginal plants and would lead to large-scale unemployment. Balancing the national budget would mean cutting consumption and investment and would probably cause the growth rate to decline. Many reform policies might violate the principle of equity. Weighing one goal against another is extremely difficult.

Speeding up coastal development may aggravate regional imbalance. Under the original open door policy, the coastal areas received most of the foreign capital, thereby accelerating their development at a rate much faster than that of the interior. A continuous outflow of capital and technical manpower is widening the gap in growth between the two sectors of China. During the 1981–1985 period, the gap in the gross output value of agriculture and industry between the 10 coastal provinces and the 11 interior provinces widened significantly, from Y256 billion in 1981 to Y436 billion in 1985. The gap in per capita consumption between the coastal and the interior provinces increased from Y7 in 1981 to Y137 in 1985.<sup>24</sup> The new strategy may further widen this gap.

In view of these dilemmas, the leadership in Beijing may have to pursue a more cautious path. There are clear indications that the pace of economic growth must be more firmly directed, which may lead to a slowing of the pace. The planned target for GNP growth for 1988 is only 7.5 percent, almost two percentage points below the 1987 growth rate. Since control of inflation has become the government's top economic priority for 1988, no dramatic benefits from price reform are expected. But without a thorough reform of the existing price system, self-management and enterprise responsibility cannot be implemented.

In the immediate future, the reformists may introduce more experiments patterned after the capitalist model, like issuing stocks and bonds to the public, establishing real estate markets, enlarging the scope of private enterprises, and even leasing some state enterprises to foreign investors. But the utopian forms of socialism and communism may still be upheld. So long as the present leadership adheres to the Four Cardinal Principles (Communist party leadership, the socialist road, the proletarian dictatorship, and Marxist-Leninist-Maoist thought), a radical change in ownership and the abolition of the central planning system may not be realized in China. ■



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